EFFECT OF FISCAL YEAR 1983 BUDGET RESOLUTIONS ON PUBLIC ASSISTANCE PROGRAMS

HEARING

BEFORE THE

SUBCOMMITTEE ON PUBLIC ASSISTANCE AND
UNEMPLOYMENT COMPENSATION

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

NINETY-SEVENTH CONGRESS

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CONTENTS

Page

Press release of Wednesday, June 16, 1982, announcing hearing 1

WITNESSES

Social Security Administration: Linda McMahon, Associate Commissioner for Family Assistance; Fred Schutzman, Deputy Director, Office of Child Support Enforcement; Louis Enoff, Deputy to the Deputy Commissioner; and Teresa Hawkes, Director, Office of Policy Coordination and Review, Office of Human Development Services. 5

Association for Retarded Citizens of the United States, Elizabeth M. Boggs, Ph. D. 83
Boggs, Elizabeth M., Ph. D., Association for Retarded Citizens of the United States 83
Campbell, Forrest, National Association of Counties 76
Family Service Association of America, LeRoy Robinson, Jr 87
Fogarty, Michael, Oklahoma Department of Human Services, and National Council of State Public Welfare Administrators 57
Gilmore, Cathy, Utah Department of Social Services, representing Hon. Scott M. Matheson, Governor 42
Marshall, Mary, National Conference of State Legislatures 71
National Association of Counties, Forrest Campbell 76
National Conference of State Legislatures, Mary Marshall and Joy Wilson 71
National Council of State Public Welfare Administrators, Michael Fogarty 57
Oklahoma, State of, Department of Human Services, Michael Fogarty 57
Puett, Sammie Lynn, Tennessee Department of Human Services, representing Hon. Lamar Alexander, Governor 28
Robinson, LeRoy, Jr., Family Service Association of America 87
Tennessee, State of, Department of Human Services, Sammie Lynn Puett, representing Hon. Lamar Alexander, Governor 28
Utah, State of, Department of Social Services, Cathy Gilmore, representing Hon. Scott M. Matheson, Governor 42
Wilson, Joy, National Conference of State Legislatures 71

SUBMISSION FOR THE RECORD

California, State of, Department of Social Services, Marion J. Woods, letter 124

EFFECT OF FISCAL YEAR 1983 BUDGET RESOLUTIONS ON PUBLIC ASSISTANCE PROGRAMS

WEDNESDAY, JUNE 23, 1982

House of Representatives,
Committee on Ways and Means,
Subcommittee on Public Assistance and
Unemployment Compensation,
Washington, D.C.

The subcommittee met at 10:30 a.m., pursuant to notice, in room 1100, Longworth House Office Building, Hon. Harold Ford (chairman of the subcommittee) presiding.

[The press release announcing the hearing follows:]

[Press release of June 16, 1982.]

The Honorable Harold E. Ford, Chairman of the Subcommittee on Public Assistance and Unemployment Compensation, Committee on Ways and Means, Announces a One-Day Hearing on Changes Affecting Subcommittee Programs Assumed in the House- and Senate-Passed Fiscal Year 1983 Budget Resolutions

The Hon. Harold E. Ford (D., Tenn.) Chairman of the Subcommittee on Public Assistance and Unemployment Compensation, Committee on Ways and Means, today announced a one-day public hearing on changes in programs under the jurisdiction of the Subcommittee assumed in the House-approved fiscal year 1983 budget resolution and the Senate-approved fiscal year 1983 budget resolution. This includes assumed funding changes and amendments affecting the Aid to Families With Dependent Children (AFDC), Supplemental Security Income (SSI), Title XX Social Services and Unemployment Compensation programs. A summary of the assumed changes in both budgets is attached to this press release.

The hearing will be held on Wednesday, June 23, 1982, in the Committee's main hearing room, 1100 Longworth Building, beginning at 10:00 am. Because of time limitations, only the testimony of invited witnesses will be presented at the hearings. The Subcommittee would, however, welcome written statements from interested organizations and individuals for inclusion in the printed record of the hearing.

PROCEDURE TO BE FOLLOWED FOR SUBMITTING WRITTEN COMMENTS

Interested individuals and organizations may submit written comments, which should address only the above subjects, through the close of business Friday, July 2, 1982. Comments (5 copies) should be submitted to John J. Salmon, Chief Counsel, Committee on Ways and Means, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements for the record of the printed hearing wish to have their statements distributed to the press and the interested public, they may submit 50 additional copies for this purpose during the course of the public hearing.

Attachment.

AFDC, SSI AND UNEMPLOYMENT COMPENSATION SAVINGS ASSUMED UNDER HOUSE AND SENATE PASSED BUDGET RESOLUTIONS

[Outlay savings in millions of dollars]

Item	House			Senate		
	1983	1984	1985	1983	1984	1985
Aid to families with dependent children:						
Provide unemployed parent with benefits only if parent participates in workfare [1]	86	79	73			
Assure that resources of family members in military service are counted in determining AFDC eligibility and benefits	15	17	17	15	17	17
Require mandatory job search for all AFDC applicants [2]	145	149	152			
Require States to round benefits to the lower whole dollar	9	10	10	9	10	10
Prorate first month's benefit based on date of application	13	14	14	13	14	14
Include income of all unrelated adults in assistance units	69	70	70	69	70	70
Reduce Federal matching for AFDC payment errors	234	105	167			
Combined welfare administrative funds [3]	39	89	136			
Include all minor children in assistance unit when computing benefits, except SSI-disabled children	63	64	64	63	64	64
Prorate shelter and utilities for AFDC families in large households				174	177	178
End employable parent's benefits when youngest child reaches age 16				47	48	48
Miscellaneous child support enforcement collections	12	15	16			
Reduce Federal funds for child support enforcement	145	151	159	45	51	159
Allowance for CBO repricing and food stamp offset	−49	−16	−15			
Total [4]	781	747	863	435	451	560
Supplemental security income:						
Prorate first month's benefit based upon date of application	26	28	32	26	28	32
Round SSI payment standard and benefit amount to next lower dollar	20	45	70	20	45	70
Insure that definition of permanent disability is based on preponderance of medical factors	75	145	240	67	140	223
Cross program recovery of SSI overpayments—title XVI overpayments from title II benefits	16	17	18			
Coordinate COLA's with SSI	45	41	43	45	41	43
Eliminate hold harmless payments for last three States	30	37	45			
Total [4]	212	313	448	158	254	368
Total outlay reductions included in the reconciliation instruction for public assistance programs	993	1,060	1,311	593	705	928
Child welfare and social services:						
Title XX	0	50	150			
Foster care	0	29	59			
Unemployment compensation:						
Additional outlay allowance for unemployment benefits and other emergency supplementals (also, $315 million is accommodated for fiscal year 1982)	+500	+200	+100			

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[1] These are OMB numbers. The CBO numbers for benefit savings not taking into account administrative costs are $52, $107, and $103 million for fiscal years 1983, 1984, and 1985, respectively.

[2] These are OMB numbers. The CBO numbers for benefit savings not taking into account administrative costs are $24, $41, and $43 million for fiscal years 1983, 1984, and 1985, respectively.

[3] These are OMB numbers. The CBO numbers for the AFDC portion of the combined welfare administrative funds are $106, $181, and $261 million for fiscal years 1983, 1984, and 1985, respectively.

[4] Included in reconciliation instruction.

Chairman FORD. The Subcommittee on Public Assistance and Unemployment Compensation will come to order for the purposes of hearings on the proposed fiscal year 1983 budget cuts in programs within the subcomittee's jurisdiction. I would like to make a brief statement before the first panel of witnesses is recognized.

The hearing today focuses on specific amendments and funding reductions affecting programs under the jurisdiction of the Subcommittee on Public Assistance and Unemployment Compensation that were assumed in the House and Senate fiscal year 1983 budget resolutions. We have invited the administration and State and local government officials to address these budget cutting proposals. We will also hear from individuals representing private organizations that are concerned about low-income families, the aged, and disabled citizens.

In March, the subcommittee held hearings on the President's fiscal year 1983 budget proposals. At these hearings, administration witnesses were somewhat evasive about the impact of last year's cuts, and the additional cuts proposed for fiscal year 1983, on programs for the poor. They continually referred to the overall increase in spending for entitlement programs, virtually all of which, as you know, is due to increases in social security and medicare. Many low-income individuals benefit from these programs. But they are not welfare programs, or the programs that directly address poverty in this country.

At these hearings, administration witnesses also indicated that last year's cuts, and the additional ones they have proposed in subcommittee programs, will not really hurt the poor. We are told that these cuts have been "targeted" to those people who have "other resources."

Before we hear from the witnesses today, I think it is important that we are clear about the impact of last year's cuts on the programs under this subcommittee's jurisdiction, as well as the additional changes the administration is proposing for the coming fiscal year.

We have jurisdiction over four programs that provide assistance to low-income families and indigent aged, blind, and disabled individuals: AFDC, SSI, low-income energy assistance, and title XX social services. Last year the administration proposed that AFDC be cut by $1.2 billion, title XX social services by $700 million and low-income energy assistance by $500 million. They proposed around $200 million in cuts in SSI, foster care and child welfare services. In addition to these cuts in welfare programs, administration proposals enacted last year cut unemployment compensation benefits by $1.4 billion.

The Congressional Budget Office has estimated that the amendments enacted last year to the four welfare programs under this subcommittee's jurisdiction (AFDC, SSI, low-income energy assistance, and title XX social services) cut spending for these programs by a total of $1.3 billion in fiscal year 1982.

Furthermore, the changes enacted last year will cut funds for these programs in fiscal year 1983 by upward of $1.6 billion. In other words, if we make no further cuts this year, Federal title XX funds and AFDC expenditures in fiscal year 1983 will both be $800 million below prior estimates. CBO estimates that the administration proposals enacted last year will reduce unemployment benefits by upward of $3 billion in fiscal year 1983.

Now, in addition to the cuts that have already been enacted, the administration wants to reduce AFDC by another $1.3 billion in fiscal year 1983, title XX social services by an additional $467 million, low-income energy assistance by another $575 million; SSI by $280 million, and foster care funds by $132 million.

If you add the cuts enacted last year to the administration's proposed cuts for this year, the programs under this subcommittee's jurisdiction that directly assist poor people would be reduced by a total of $4.5 billion. This is a 38-percent reduction in title XX social services funds from the law in effect prior to last year's Reconciliation Act, which was acted upon by this Congress; a 25-percent reduction in AFDC funds; and a 30-percent reduction in low-income energy assistance. These are programs, that along with food stamps, medicaid, and low-income housing assistance, directly help the poor of this country.

The subcommitee today will hear from a panel of witnesses to discuss those cuts and cuts recommended by the administration. At this time, I will yield to my colleague from Ohio, Mr. Gradison, for any opening remarks he may have. Afterward we will recognize the first panel of witnesses.

Mr. **Gradison**. Thank you, Mr. Chairman.

Mr. Chairman, you have certainly laid out some of the numbers and history of this. But frankly for myself I don't see much point in rehashing the history of the situation. The House has acted; the Senate is expected to act as well. They have done so on a bipartisan basis. This budget resolution never would have passed the House without support from enough Members of both parties.

The version of the Jones budget which came before us about 6 weeks ago on final consideration had fully one-third of the Members of the Democratic side of the House voting against it. It is perfectly evident to me that we have a mandate from the House to come up with these cuts. While I certainly am not going to interfere with anybody as a witness saying what they want to say, I hope at least that the witnesses will focus on helping us do what the House has demanded of us, which is to come up with these cuts which are required by August 1, because that is our responsibility under the reconciliation provisions. And I think we have an obligation, as we did last year, an obligation which I might add we met last year, to carry out our obligation of seeing that the budget process is not just a visionary target, but is actually implemented.

Thank you, Mr. Chairman.

Chairman **Ford**. Thank you, Mr. Gradison. Let me just say, as the chairperson of the Subcommittee on Public Assistance and Unemployment Compensation, we will move in a fashion that responds to the budget resolution that has been adopted by the House. I certainly have every intent as chairman of the subcommittee to try to move in a fashion that will, in fact, be acceptable by our colleagues, both in the House and the Senate.

Now we have adopted a budget resolution. But trying to meet the targets of the resolution is going to be a difficult task. If you are willing to offer your expertise, along with that of our witnesses today, to show us where cuts can be made without causing additional undue hardship among the poor of this country, I welcome your suggestions. As a result of last year's cuts, not to rehash anything, but to state facts, poor people in this country are having severe problems. That is not because the House adopted a budget resolution the other day for the fiscal year 1983.

But people are having problems in general. I mean we did not evaluate the fiscal year 1982 cuts prior to enacting last year's Reconciliation Act. This is an opportunity now for this committee and other committees in the Congress to evaluate these programs prior to this Congress acting on specific elements of the fiscal year 1983 budget. I don't think that we can say to the American people in good faith that we fully evaluated those cuts in fiscal year 1982. The Congress acted in haste and mistakes were made. Now we have an opportunity to look at all of these programs and proposals prior to reporting anything to the full committee.

As chairperson, Mr. Gradison, I welcome the opportunity to learn from the witnesses scheduled to testify today. There is suffering in this country and I have traveled with the committee across the country and talked to people who felt President Reagan offered and promised them a safety net. And now they are slipping through that safety net. I would certainly not want the subcommittee and the Congress to make the same mistakes made in fiscal year 1982.

At this time, the Chair will recognize from the Department of Health and Human Services, Ms. Linda McMahon, Associate Commissioner for Family Assistance, Social Security Administration; accompanied by Fred Schutzman, Deputy Director, Office of Child Support Enforcement, SSA; Louis Enoff, Deputy to the Deputy Commissioner, SSA; and Teresa Hawkes, Director, Office of Policy Coordination and Review, Office of Human Development Services.

The Chair will recognize you in that order, please.

STATEMENT OF LINDA McMAHON, ASSOCIATE COMMISSIONER FOR FAMILY ASSISTANCE, SOCIAL SECURITY ADMINISTRATION, ACCOMPANIED BY FRED SCHUTZMAN, DEPUTY DIRECTOR, OFFICE OF CHILD SUPPORT ENFORCEMENT; LOUIS ENOFF, DEPUTY TO THE DEPUTY COMMISSIONER; AND TERESA HAWKES, DIRECTOR, OFFICE OF POLICY COORDINATION AND REVIEW, OFFICE OF HUMAN DEVELOPMENT SERVICES

Ms. McMahon. Thank you, Mr. Chairman. I appreciate the opportunity to appear before you today to discuss legislative changes to public assistance programs of the Department of Health and Human Services which fall within the jurisdiction of your subcommittee. I have a short statement to read and I ask permission that my full statement be entered for the record. I will speak for the group.

We are pleased by the recent actions taken by Congress to adopt a budget target for this subcommittee which recognizes the critical need to curtail Federal spending.

The task now before this subcommittee is to identify changes that meet these budget targets and, at the same time, insure that these programs continue to meet the needs of the individuals which they serve. When Under Secretary Swoap testified before this subcommittee on March 25, he presented our proposals for spending reductions in the aid to families with dependent children [AFDC], child support enforcement, supplemental security income, and foster care programs, and the social services block grant program.

I would first like to briefly discuss the administration's proposals concerning the aid to families with dependent children [AFDC] program. These proposals recognize that at this time of budgetary constraint, assistance must be targeted to those individuals who, through no fault of their own, are temporarily unable to provide for themselves.

Specifically, several of our proposals would require that, in determining a family's need for AFDC, additional sources of income available to the family be considered. For example, we propose to put an end to the current practice whereby families exclude members with income from the assistance unit in order to maximize benefits and also to count the income of certain individuals living with the AFDC family.

We have a number of proposals to insure that assistance is targeted most efficiently to those most in need. For example, we propose to reduce the portion of the AFDC grant for shelter and utilities for any assistance unit sharing a household with others.

We also need to further strengthen work requirements and improve the employability of recipients. We believe that all able-bodied individuals should be involved in some type of work-related activity or job search. Therefore we propose that all applicants who are able to work be required to search for a job while their eligibility is being established and that States be required to operate community work experience programs. The principal earner in a two-parent family would be required to participate in community work experience programs, unless actively involved in some other work activity. We also would require that States impose a sanction on applicants and recipients who voluntarily quit their jobs without good cause.

Finally, we propose a set of changes to reduce administrative costs and to provide an incentive to States to tighten program administration. Over several years, Federal matching for all erroneous AFDC payments would be phased out, and we would place a cap on State and local administrative expenditures at 95 percent of the fiscal year 1982 level.

We believe that public acceptance of and support for assistance programs is enhanced if we can insure that administrative costs are kept to a minimum, that only eligible indviduals receive assistance, and that they receive only the amounts to which they are entitled.

For the child support enforcement program, we are proposing a major legislative initiative to strengthen the program by restructuring the financing to provide incentives for States to improve their performance.

Experience has shown that the current financing structure promotes inefficient State operations. Under current law, to break even, a State with a 50-percent AFDC match must collect only 38 cents in child support for every dollar spent in the collection effort. On the other hand, unless the State collects $2.14 for every dollar spent, the Federal Government loses money.

We propose to repeal the current financing provision. Instead, the total administrative expenditures would be deducted from the total AFDC collections. The proposal would also provide performance awards to States based on overall program performance as well as improvement in performance. These awards, designed to motivate States to improve their programs in all areas, would be based on a formula subject to adjustment by the Secretary at least every 2 years.

We also propose to replace the current annual audit and penalty provision. The amendment would establish performance criteria, against which a State would be audited at least every 3 years. A period for corrective action would be allowed and penalties would be imposed on a graduated basis.

Another proposal would require allotments from the pay and allowances of any member of a uniformed service, on active duty, when the member fails to make support payments.

We would also propose to amend the requirement enacted last year that a 10-percent fee be collected from the non-AFDC parent owing child support. We would replace it with a requirement that the costs of collection be recovered either from collections or from the absent parent up to a ceiling of 10 percent.

Our legislation also includes a number of other provisions designed to increase State flexibility and allow OCSE authority to test the effectiveness of alternative methods of program operation.

Let me now turn to the proposals of the House and Senate budget resolutions that would affect the SSI program. We support the proposals to prorate the first month's benefit, to round the SSI payment amount to the next lower dollar, to make determinations of permanent disability based on a preponderance of medical factors, to coordinate the social security and SSI cost-of-living adjustments, and to eliminate "hold-harmless" amounts We also believe that the mandatory passthrough provision should be eliminated concurrently.

Mr. Chairman, we also urge your subcommittee to consider several additional SSI proposals that would improve the program and result in further budget savings.

One is a proposal that would end for future beneficiaries the special advantage that SSI recipients with other income get as a result of the present provision for disregarding up to $20 a month of any income in the calculation of SSI monthly payments. This proposal would save about $15 million in fiscal year 1983.

Another proposal is designed to tighten the eligibility requirements for disability benefits by changing the definition of "permanent disability" to require that an individual's impairment must be expected to last at least 24 months, rather than the current 12 months. This change will save $45 million in fiscal year 1983.

The fiscal year 1983 budget proposals for social services, and the proposed child welfare services block grant continue the effort begun in fiscal year 1982 to increase State flexibility in the programing and administration of program resources and to simplify Federal administrative and oversight responsibilities. In addition, the proposals reflect this administration's strong commitment to fiscal restraint as a significant part of its program for economic recovery.

The administration has requested a level of $1,974,126,000 for the social services block grant for fiscal year 1983 and has requested authority for this amount for fiscal years 1984 and 1985 as well. The amount requested represents approximately 82 percent of the amounts States received in fiscal year 1982. This is, as you know, a lower figure than that suggested in either the Senate or House of Representatives budget resolutions. We believe that this is a necessary part of the goal of reducing the growth of the Federal Government to produce a more healthy economy. This proposed level for the social services block grant, given the broad flexibility and minimum Federal requirements, will provide sufficient Federal assistance for an effective program.

As part of this same effort, we are proposing this year the consolidation of the major Federal children's services authorities under title IV of the Social Security Act: child welfare services and training, foster care and adoption assistance. The proposed authorizing legislation for this block grant was sent to the Congress on June 8, 1982. The proposal eliminates a number of Federal administrative requirements, but retains the important safeguards for foster care children contained in the Adoption Assistance and Child Welfare Act of 1980.

A level of $380,120,000 is requested for the new child welfare block grant authority. Our proposal is intended to provide the States with greater flexibility in administration of these programs, and to revise the current system bias toward keeping children in temporary and expensive foster homes for which open-ended funding is available, rather than finding them permanent homes.

The 1980 child welfare amendments allow foster care costs to grow at an alarming and unacceptable rate—by Congressional Budget Office estimates, costs under the current law will rise to $395 million in fiscal year 1983, $423 million in fiscal year 1984, and $454 million in fiscal year 1985. The fiscal year 1983 estimate represents a figure which nearly doubles the budget for this program over the last 5 years.

Given Federal deficit levels, we believe that the rate of growth is unacceptable and that States must take action to resolve the status of children rather than have fiscal incentives for keeping them in limbo. By eliminating the categorical funding provisions, we would provide States with financial incentives to place a greater priority on prevention and permanent placement for children, thus removing them from the foster care system.

Mr. Chairman, we support the steps taken by Congress to bring Federal spending for assistance programs under control, and we stand ready to assist you in the difficult task now before this subcommittee.

I will be happy to answer questions that you or members of the subcommittee have.

Thank you.

[The prepared statement follows:]

STATEMENT OF LINDA S. MCMAHON, ASSOCIATE COMMISSIONER FOR FAMILY ASSISTANCE, SOCIAL SECURITY ADMINISTRATION

Mr. Chairman and Members of the Subcommittee, I am Linda McMahon, the Associate Commissioner for Family Assistance, Social Security Administration, and I am accompanied by Teresa Hawkes, Director, Office of Policy Coordination and Review, Office of Human Development Services, Mr. Louis Enoff, Deputy to the Deputy Commissioner, SSA, and Mr. Fred Schutzman, Deputy Director, Office of Child Support Enforcement, SSA. I appreciate the opportunity to appear before you today to discuss legislative changes to public assistance programs of the Department of Health and Human Services which fall within the jurisdiction of your Subcommittee.

We are pleased by the recent actions taken by Congress to adopt a budget target for this Subcommittee which recognizes the critical need to curtail Federal spending.

The task now before this Subcommittee is to identify changes that meet these budget targets, and at the same time, ensure that these programs continue to meet the needs of the individuals which they serve. When Under Secretary Swoap testified before this Subcommittee on March 25, he presented our proposals for spending reductions in the Aid to Families with Dependent Children (AFDC), Child Support Enforcement, Supplemental Security Income, and Foster Care Programs, and the Social Services Block Grant Program.

I would first like to briefly discuss the Administration's proposals concerning the Aid to Families with Dependent Children [AFDC] program. These proposals recognize that at this time of budgetary constraint, assistance must be targeted to those individuals who, through no fault of their own, are temporarily unable to provide for themselves.

Our carefully planned proposals are intended to improve the program in four ways: by requiring that income and resources available to a family be counted before assistance is provided; by targeting assistance to those most in need; by strengthening work requirements and enhancing the employability of recipients, and by improving administration of the program.

Specifically, several of our proposals would require that, in determining a family's need for AFDC, additional sources of income available to the family be considered. For example, we propose to put an end to the current practice whereby families exclude members with income from the assistance unit in order to maximize benefits. The income of certain individuals living with the AFDC family would be recognized and counted (after appropriate disregards) as available to the assistance unit. We also propose to further reduce the duplication of payments from different programs for the same need. For example, we would count payments under the Low-Income Home Energy Assistance Program as income to the extent they duplicate amounts for every home energy in the payment standard.

We also have a number of proposals to ensure that assistance is targeted most efficiently to those most in need. For example, we propose to reduce the portion of the AFDC grant for shelter and utilities for any assistance unit sharing a household with others. This is a logical extension of a proposal enacted last year applicable to children living in a non-AFDC unit. This proposal ensures that AFDC benefits reflect the economies of scale that exist when recipients share a household. We also propose to eliminate payments to children whose parent is absent solely due to active military service. In these cases, the parent has not deserted the children and if support is not provided voluntarily, the parent's support obligation remains and can be enforced.

We also need to further strengthen work requirements and improve the employability of recipients. We believe that all able-bodied individuals should be involved in some type of work-related activity or job search from the day they apply for assistance. We propose:

That all applicants who are able to work be required to search for a job while their eligibility is being established;

That States be required to operate Community Work Experience programs. The principal earner in a two-parent family would be required to participate, unless actively involved in some other work activity;

To permt States to extend mandatory work requirements to a parent with a child age 3–6, provided day care is available; and

That States be required to impose a sanction of applicants and recipients who voluntarily quit their jobs without good cause.

Finally, we propose a set of changes to reduce administrative costs and to provide an incentive to States to tighten program administration. Over several years, Federal matching for all erroneous AFDC payments would be phased out, and we would place a cap on State and local administrative expenditures at 95 percent of the fiscal year 1982 level. AFDC, Medicaid and Food Stamps administrative funds would be combined so that States can take advantage of efficiencies realized from the substantial overlap among these programs at the State and local level. Substantial investments in fical year 1982 processing improvements have been retained in the base. We believe that public acceptance of and support for assistance programs is enhanced if we can ensure that administrative costs are kept to a minimum, that only eligible individuals receive assistance, and that they receive only the amounts to which they are entitled.

CHILD SUPPORT ENFORCEMENT

For the Child Support Enforcement program, we are proposing a major legislative initiative to strengthen the program by restructuring the financing to provide incentives for States to improve their performance.

Experience has shown that the current financing structure promotes inefficient State operations. Under current law, to break even a State with a 50 percent AFDC match must collect only 38 cents in child support for every dollar spent in the collection effort. On the other hand, unless the State collects $2.14 for every dollar spent, the Federal government loses money. Unless a change is made, the Federal government will lose $191 million in fiscal year 1983 and increasingly larger amounts in subsequent years. The restructuring proposal would establish a clear focus on performance, tangible recognition of superior performance, and allow for an orderly transition to the new means of program financing.

We propose to repeal the current financing provision, including the method of allocating gross collections between the Federal and State governments, the 15 percent incentive feature, 75 percent Federal matching for administrative expenses and 90 percent Federal matching for certain ADP costs. Instead, the total administrative expenditures (for both AFDC and non-AFDC components) would be deducted from the total AFDC collections. The resulting net amount would be shared between the Federal and State governments in the same ratios as their contribution to AFDC payments. The proposal would also provide performance awards to States based on overall program performance as well as improvement in performance. These awards, that would motivate States to improve their programs in all areas, would be based on a formula subject to adjustment by the Secretary at least every two years as part of an ongoing evaluation of the program. This authority would also allow adjustments based on unfolding events and special studies.

To help States in financing systems during the transition, they would be eligible for an advance of funds that would have to be repaid at the end of the succeeding fiscal year.

We also propose to amend the provision currently requiring an annual audit to measure State compliance with all statutory requirements and to determine whether the penalty provision (which operates to reduce AFDC matching) should be applied.

The amendment would establish performance criteria, against which a State would be audited at least trienially, for program effectiveness. A period for corrective action would be allowed after which a penalty could be imposed on the Federal AFDC matching, on a graduated basis, according to the length of time the State program had been ineffective under the performance criteria.

Another proposal would require allotments from the pay and allowances of any member of a uniformed service, on active duty, when the member fails to make child (or child and spousal) support payments. The requirement would arise when the member had failed to make support payments in an amount at least equivalent to the value of two months' worth of legally enforceable support under a court or administrative order.

We also propose that several provisions of current law be amended or repealed.

First we propose to change the method by which States recover administrative costs incurred for the provision of services to custodial parents who are not recipients of AFDC. Last year the Congress imposed a 10 percent fee on the parent owing child support. By general consensus, the law as it now stands—while well-intentioned—is administratively expensive, cumbersome, and burdensome on the State Child Support Enforcement programs. That provision would be replaced by a requirement that the costs be recovered by withholding them from the collections, or, at the State's option, from the person owing the support. Also, the fee would be limited to the actual cost of making the collection up to a ceiling of 10 percent of the amount collected. The limit will prevent individuals from being penalized in States where the operation of the child support enforcement program is particularly expensive.

A repeal of the present provision for expanded Federal financial participation in court costs related to child support enforcement is also proposed. Although current costs in this area are comparatively low, we have reason to believe they will escalate, perhaps very substantially, in the future. At a time of general fiscal restraint, we do not believe State child support agencies should be compelled to pay these costs.

Our bill also proposes that the mandatory intercept of unemployment compensation enacted last year be made optional. Many States have complained that the procedure will not be cost effective. This would give the States the opportunity to determine whether, in fact, the procedure is cost effective without the risk of reducing their rewards under the restructuring proposal.

Several other proposals would extend the OCSE authority (through waivers) to test the effectiveness and feasibility of alternative methods to improve the Child Support Enforcement program and conform reporting requirements to the restructuring proposal.

Finally, under current law, there are a number of relatiely minor statutory restrictions which make the collection of certain child support payments unnecessarily difficult. We are proposing a series of provisions to overcome these restrictions and, in the process, increase State flexibility in the administration of their Child Support programs.

SUPPLEMENTAL SECURITY INCOME [SSI]

Let me now turn to the proposals of the House and Senate Budget Resolutions that would affect the SSI program. The Resolutions include many of the proposals that were presented in testimony before this Subcommittee on March 25 and that we have included in the draft bill we recently submitted. Although we support the principle of cross-program recovery of overpayments (in the House Resolution), we have not included that provision in our proposed legislation because it would involve the Social Security program, and we are deferring further consideration of such proposals until the National Commission on Social Security Reform completes it work. With respect to the other proposals in the Resolutions, we support:

The proposal to prorate the first month's benefit so that benefits are paid only from the date of application or, if later, the earliest date on which all eligibility requirements are met. This would relate SSI benefits more closely to a person's need and circumstances.

The proposal to round the SSI payment amount to the next lower dollar would simplify program administration. Title II Social Security benefits are already rounded to the next lower dollar under a provision of the Omnibus Budget Reconciliation Act of 1981. SSA will take administrative steps to assure that final payment amounts—after taking account of individual income—will also be in whole dollars.

The proposal to make determinations of permanent disability based on a preponderance of medical factors would help ensure that SSI disability benefits are paid only to people who are totally and permanently disabled. The proposal would tighten the eligibility requirements for SSI disability benefits by giving greater consideration to medical factors in determining whether or not an individual is disabled, rather than nonmedical factors (such as age, education, and work experience) which are much more subjective and result in inconsistent decisions.

The proposal to coordinate the Social Security and SSI cost-of-living adjustments would close a loophole in the retrospective accounting procedures. We must now ignore for up to two months the increase in the Social Security benefits of SSI recipients. However, there may be still other situations where the retrospective accounting procedures do not permit taking into account known information, thereby resulting in the payment of excessive benefits. We believe that the Secretary should have authority, subject to the determination that the facts may be relied upon, and subject to considerations of equity and administrative feasibility, to employ the most current dependable data in the administration of the program.

We support the proposal to eliminate—that is, phase out by the end of fiscal year 1984—"hold-harmless" amounts. This would affect only Hawaii and Wisconsin. We believe this proposal restores the original intent of the transitional hold harmless provision which would have phased out by 1982 with gradual increases in the Federal SSI benefit.

We also believe that the mandatory pass-through provision should be eliminated concurrently. The pass-through requirement, in effect since July 1977, mandates continuing State fiscal participation in the SSI program. By repealing the pass-through requirement, this proposal would return to the States the basic freedom to decide how much to spend on supplementation programs and, as a result, provide them with a greater degree of control over their expenditures. Mandatory pass-through restricts that freedom by establishing minimum supplementation and expenditure levels below which the States are not free to go without forfeiting Federal funds under the Medicaid program.

To protect the food stamp cash-out status of California and Wisconsin in light of the foregoing changes, we believe that the cash-out requirements should be modified to permit these States to retain cash-out status so long as they agree to provide a supplement equivalent to the value of food stamps that an individual or a couple with only SSI income could receive.

Mr. Chairman, we also urge your Subcommittee to consider several additional SSI proposals that would improve the program and result in further budget savings. These proposals are included in the Administration's draft bill, the "Social Welfare Amendments of 1982," which was transmitted to the Congress on June 18. I will describe two provisions that would have significant impact on budget savings.

One is a proposal that would relate benefits more closely to need. It would end for future beneficiaries the special advantage that SSI recipients with other income get as a result of the present provision for disregarding up to $20 a month of any income in the calculation of SSI monthly payments. The present provision sets an artificial payment level for those recipients with income which is higher than those without income. We think all SSI recipients should receive the same minimum payment guarantee. The SSI benefits to persons receiving only SSI will not be reduced by this change. Those who now benefit from the exclusion will continue to do so as long as they remain continuously eligible. This proposal would save about $15 million in fiscal year 1983.

Another proposal is designed to tighten the eligibility requirements for disability benefits by changing the definition of "permanent disability" to require that an individual's impairment must be expected to last at least 24 months, rather than the current 12 months. This change will save $45 million in fiscal year 1983.

SOCIAL SERVICES AND FOSTER CARE

The fiscal year 1983 budget proposals for social services activities continue the effort begun in fiscal year 1982 to increase State flexibility in the programming and administration of program resources and to simplify Federal administrative and oversight responsibilities. In addition, the proposals reflect this Administration's strong commitment to fiscal restraint as a significant part of its program for economic recovery.

The Social Services Block Grant under title XX of the Social Security Act, enacted as part of the Omnibus Budget Reconciliation Act of 1981, was implemented in fiscal year 1982. This block grant program was designed to provide States with greatly increased flexibility in determining priorities among the needs of their population and in allocating resources among those priorities. Since we have not yet completed the first year of this program, specific information on the program's implementation is still incomplete. However, information from the States suggests that they are developing new mechanisms at the State and county levels to take advantage of the increased flexibility of the block grant for more effective services delivery.

The Administration has requested a level of $1,974,126,000 for fiscal year 1983 and has requested authority for this amount for fiscal years 1984 and 1985 as well. The amount requested represents approximately 82 percent of the amounts States received in fiscal year 1982. This is, as you know, a lower figure than that suggested in either the Senate or House of Representatives budget resolutions. We believe that this is a necessary part of the goal of reducing the growth of the Federal government to produce a more healthy economy. We prefer to spend less on these areas which traditionally have been supported by community non-profit and voluntary organizations. This proposed level for the Social Services Block Grant, given the broad flexibility and minimum Federal requirements, will provide sufficient federal assistance for an effective program.

As part of this same effort to increase State flexibility in management of social services programs, we are proposing this year the consolidation of the major Federal children's services authorities under title IV of the Social Security Act: Child Welfare Services and Training, Foster Care and Adoption Assistance. The proposed authorizing legislation for this block grant was sent to the Congress on June 8, 1982. The proposal eliminates a number of Federal administrative requirements, but retains the important safeguards for foster care children contained in the Adoption Assistance and Child Welfare Act of 1980. Under the proposal, States would be required to devote a portion of their allocation to developing these systems for protection until those systems are fully in place.

A level of $380,120,000 is requested for the new Child Welfare Block Grant authority. This request is based on the assumption that Congress will enact the required enabling legislation prior to the enactment of fiscal year 1983 appropriations.

Our proposal is intended to provide the States with greater flexibility in administration of these programs and to reverse the current systems bias toward keeping children in temporary and expensive homes, for which open-ended funding is available, rather than finding them permanent homes. States will be free to provide the most efficient combination of maintenance payments and services that best meets the need of their children.

The Adoption Assistance and Child Welfare Act of 1980 recognized the problem of negative Federal financial incentives and tried to resolve it by building in new incentives encouraging States to enhance Child Welfare services. But the 1980 law still allows Foster Care costs to grow at an alarming and unacceptable rate—by Congressional Budget Office estimates, costs under the current law will rise to $395 million in fiscal year 1983, $423 million in fiscal year 1984, and $454 million in fiscal year 1985. The fiscal year 1983 estimate represents a figure which nearly doubles the budget for this program over the last 5 years.

Given Federal deficit levels, we believe that the rate of growth in Federal liability is unacceptable and that States must take action to resolve the status of children rather than have fiscal incentives for keeping them in limbo. By eliminating the categorical funding provisions, we would provide States with financial incentives to place a greater priority on prevention and permanent placement for children, thus removing them from the foster care system.

Mr. Chairman, we support the steps taken by Congress to bring Federal spending for assistance programs under control, and we stand ready to assist you in the difficult task now before this Subcommittee.

I will be happy to answer questions that you or Members of the Subcommittee have.

Chairman FORD. Thank you. Your statement is for all members of the panel?

Ms. MCMAHON. Yes, is it.

Chairman FORD. The Chair will recognize Mr. Matsui at this time for any questions of the panel.

Mr. MATSUI. Thank you, Mr. Chairman. I have just one line of questioning. It pertains to the effect of last year's budget changes. If you recall in March when this subcommittee had a hearing regarding the effects of the 1981 cuts, there was a comment on a study having been conducted in the State of New Jersey on the impact of AFDC earnings disregard changes on recipient work efforts. The conclusion was that the changes had no work disincentive effects.

Has that study been refined or further developed?

Ms. MCMAHON. We are continuing to talk to the State of New Jersey, the State of Michigan, and other States that are tracking people who have been on welfare, were working, were getting the $30⅓ disregard, and have since left the rolls because of the changes we made. And we still, based on the evidence we have at this point, see only about a 10-percent recidivism rate. I know that there are some States that seem to have a higher level of recidivism.

But it is clear, and the States admit, that they don't know what is causing that. It may be because of the economy, it may be because of something we just learned from the Census Bureau recently—I think it was just in the Post here—that the single-parent families, mothers with children, are up 365 percent over the last decade. It may be those demographic changes that are creating this recidivism rate, and not any change that had to do with an income disregard.

So although we are continuing to track it, the evidence continues to show us that the change in the $30⅓ is not causing large numbers of people to quit their jobs.

Mr. MATSUI. In other words, you haven't further refined this New Jersey study referred to the March hearing, is that correct?

Ms. McMahon. We have information through March. Probably we have added 1 additional month of information since those hearings and the numbers continue at that level.

Mr. Matsui. There haven't been any changes in the numbers, in terms of what they were in 1981 prior to the changes, is that correct?

Ms. McMahon. That is correct.

Mr. Matsui. Did you have a chance to talk to Hilary Abramson, a reporter from the Sacramento Bee?

Ms. McMahon. Yes, I did.

Mr. Matsui. Were you correct in the following quote attributed to you as it pertains to people who may have left work because of the change in the disregards and went fully on welfare:

> We believe taxpayers see people getting paychecks and welfare ripping off the system. There are always going to be some people caught in the middle that will just have to change their attitudes and find other ways to survive.

Is that an accurate quote given by you to this reporter?

Ms. McMahon. I don't think I said that. Now it may be that in terms of the thought. One of the concerns the administration has about welfare, one of the reasons AFDC and welfare programs in general have a bad reputation, is that taxpayers don't understand why welfare people can get payments, yet work, possibly getting the same wage, and have this additional disposable income. I think I did have some conversation with her along that line.

Mr. Matsui. In other words, you would adopt and ratify that statement being attributed to you even though you may not have said it; is that correct?

Ms. McMahon. Specifically.

Mr. Matsui. What would you propose with respect to the last sentence I quoted, they would just have to change their attitudes and find other ways to survive? Could you explain what attitudes they should change? Then, second, what other ways by which they are to survive?

Ms. McMahon. Well, that specific part of the statement was the one that I don't recall saying.

Mr. Matsui. I am sorry.

Ms. McMahon. It may have been in this context. The change in the $30⅓ obviously had an impact on people, people who had been getting an income supplement through the AFDC program. Whether or not people quit jobs under those circumstances because they lost something they had been getting is a possibility.

In the short term, it may be that some people decide that they will not continue to work. I am convinced that over the long term, because we have a 20 year or so history both before and after the $30⅓ disregard, that approximately the same number of adult caretaker parents in AFDC families; that is, 14 percent, were working. After the immediate impact has taken effect and people have adjusted, to the 4-month limit on the $30⅓ earning disregard, I believe that we will have that same number working again.

In terms of the attitude change, it is a question of when you are getting something and you lose it, we all have to make attitude adjustments about how we are going to deal with that. In fact, our figures show 288,000 welfare cases have been closed since October.

And those people are finding other ways to survive, as it were. In other words, they are learning to do without that supplement. Some of them have increased their work effort in order to make up that difference. They may have found ways to get help from families, or whatever. But the people are finding other ways to get assistance.

Mr. MATSUI. In Sacramento County—this is for your information—as of late January, there were 800 people who were on the work force prior to the change in the law and were receiving supplemental welfare benefits, and now who are no longer on the work force. That could be partially because of the economy, I would grant you that. But I have to believe there are a great number who quit because of the disincentive to work at this time.

I don't know when you are going to be able to have your statistics available for us.

Ms. MCMAHON. We are in the process right now of collecting data. Not only are we tracking with all States that are looking at individuals before and after the changes. We are also doing two different studies in the Department, one related to quality control data that we have, both before and after the changes, to look at recipient characteristics, people who were working and quit work, that kind of thing. And we are in the process—it may take us another 30 days or so to get the basic agreement in place and a task order out—of having people come in and bid a contract to do an evaluation of these specific pieces.

The $30⅓ is one we are specifically interested in, in terms of the impact on people, not only the work effort, but also the savings and the equity issue. The equity issue is that some people were working at the minimum wage and not getting welfare; some people were working at the minimum wage and they were getting welfare, they had that additional supplement. What kinds of changes have been made between those kinds of people. That study will get underway and it is expected to be completed in a 6-month period.

So we are continuing to look at all those issues.

Mr. MATSUI. Let me just sum up by again referring to a thought attributable to you by Ms. Abramson:

> One of the reasons the Reagan Administration abolished the work incentive deduction, according to McMahon, is the inequity it caused for the working poor not on welfare.

In other words, you argue that it is unfair to those that are not receiving welfare benefits but are receiving the minimum wage in comparison to other people who were working but were receiving welfare.

Is that a correct comment?

Ms. MCMAHON. That is the point I was making about the equity. You get additional disposable income through an income supplement that is part of a welfare program that was never designed to be an income supplement.

Mr. MATSUI. I quote the next paragraph: "When asked to help locate several"—for the interview, several people that are working, receiving the minimum wage and not receiving welfare although they could have received welfare, you indicated, it says, "The Reagan spokeswoman says she would contact the regional office."

Then I just quote the last paragraph of this article. It says: "The Northern California official, who refused to be quoted by name stated 'As far as I'm concerned the only people earning that little who refuse to apply for welfare are either illegal aliens or have been living on an island where they never heard of welfare.' "

Maybe you could provide us, this committee, with some individuals, perhaps not their names because there may be a confidentiality problem, who could receive welfare that are not receiving welfare, because I would like the committee, frankly, if you in fact have those——

Ms. McMAHON. I am not aware of who she contacted for that quote.

Mr. MATSUI. To give you the benefit of the doubt, perhaps you could provide it.

Ms. McMAHON. I understand she had a deadline of that afternoon.

Mr. MATSUI. I see.

Ms. McMAHON. But we did in 15 minutes' time happen to find a story in a paper that said a women had six children, and she refused to take welfare. The story explained how she managed to make it and that kind of thing. She was not interested in that story.

Mr. MATSUI. I am not interested in unnamed sources, either. I feel the same way you do. That is why I don't want to attribute to you what this unnamed regional source said. That is why I would like you to provide this committee with an individual who could receive welfare but is not receiving welfare.

Ms. McMAHON. Well, we provided her with a story in a newspaper with the person's name, address and everything else. She didn't want to use it.

Mr. MATSUI. Apparently the indications are she could not receive that. I will give her a call and find out. I have always found her to be a pretty credible reporter.

Ms. McMAHON. I talked to her directly about it.

Mr. MATSUI. I have no further questions, Mr. Chairman.

Chairman Ford. Mr. Gradison.

Mr. GRADISON. Thank you, Mr. Chairman.

Ms. McMahon, could you tell us, if we were to adopt every recommendation which you have made in your statement, what would the estimated net savings be during the 3 fiscal years covered by the reconciliation period?

Ms. McMAHON. I can give you the figure for the AFDC program and each of the other individuals can give you the figure for their programs. The total changes recommended by the administration for the AFDC program would amount to a savings of $1.1 billion in fiscal year 1983.

Mr. GRADISON. In the out-years?

Ms. McMAHON. In fiscal year 1984 another billion dollars. Fiscal year 1985, approximately $1.2 billion.

Mr. GRADISON. I didn't see in your short or long statement a breakdown of those numbers which would tie back into your written statement. Do you have such a listing that you could provide us now or later so we can see how these individual items match up with the savings?

Ms. **McMahon**. We can certainly provide it to you this afternoon. [The information follows:]

SECTION-BY-SECTION SUMMARY OF ESTIMATED FEDERAL COST SAVINGS UNDER SOCIAL WELFARE AMENDMENTS OF 1982

[In millions of dollars; rounded to nearest million]

Section	Fiscal year—					
	1982	1983	1984	1985	1986	1987
101	6	49	82	70	70	71
102	23	86	79	73	70	68
103		246	246	246	246	246
104	48	179	182	182	187	190
105	45	174	177	178	182	186
106	3	14	14	14	14	14
107	2	10	10	10	10	10
108	35	145	149	152	156	159
109	4	16	17	17	17	18
110		175	175	175	175	175
111						
112						
113		1	1	1	1	1
114						
115						
116						
117						
118						
119		234	105	167	237	244
120		40	89	137	181	223
201	10	45	51	59	66	76
202						
203						
204		7	9	10	10	10
205	25	100	100	100	100	100
206		3	4	4	5	5
207						
301	10	40	40	40	40	40
302	3	20	45	75	105	135
303	15	120	230	370	505	620
304		45	45	40	40	40
305	23	30	37	45	45	45
306		15	75	120	160	200
307						
308						
Total	252	1,794	1,962	2,285	2 622	2,876

Note: The amendments made by title IV have no cost impact.

Mr. **Gradison**. That is very useful.

Thank you, Mr. Chairman.

Chairman **Ford**. Mr. Anthony, it is not the procedure for the committee to recognize those in the audience but we would just like you to identify that beautiful looking group out there who entered the hearing room with you this morning. Tell us before you put your questions to the witnesses who the group might be in the audience today.

Mr. **Anthony**. Thank you, Mr. Chairman. I am pleased to have several 4-H members from Arkansas visiting Washington, D.C. I think they are to be commended because they are here to try to find out how their Government operates and be able to hear testimony before a subcommittee on some of the important decisions that we are going to have to make in some very worthwhile programs.

I think it will give them a better understanding of how their Congress works. They have had an opportunity now to hear a good series of questions and answers about the proposed cuts. It has been my pleasure to have them here.

I will yield back. I have no questions.

Chairman FORD. Thank you, Mr. Anthony.

Ms. McMahon, page 2 of your statement you talked about the employability of AFDC recipients and about the AFDC work requirements. Can you bring us up to date on the community work experience or workfare program. How is it going, and how many States so far have already adopted the workfare program?

Ms. MCMAHON. Yes, sir. We have right now seven States with community work experience programs that are operational and one State that has a community work experience program demonstration. There are an additional three States that are going to institute demonstrations. There are also in the planning stages about another 11 States who are looking at creating projects. Those States do not have WIN demonstration programs.

In addition to those States, there are States planning a combination of a WIN demonstration program with a workfare component. As you may recall, the WIN demonstration is simply some restrictions taken off the work incentive program and a demonstration of the use of a single State agency; that is, the welfare department, to run the work incentive program.

Chairman FORD. Could you tell us a little about the jobs in which recipients are placed and how many hours per week do they work.

Ms. MCMAHON. Yes, sir. That obviously differs in terms of hours, because the law actually states that you must divide the grant by the minimum wage. And whatever number of hours that comes out to, is the number of hours the individual could be required to work. We do have one State that we have granted a waiver to have a flat number of hours per week. Another State is doing something similar to that, requiring people to work in a workfare program for 3 days, and for 2 days to do job search. So that does vary.

There are all kinds of jobs, metermaids, hospital aides, school assistants, parks and recreation aides, police dispatchers and clerical workers. Those come to mind immediately.

Chairman FORD. I was just wondering, because in my area unemployment is about 12.5, 13 percent. It is difficult for us to find jobs for the unemployed. I didn't know the kinds of jobs that we were talking about being made available with the workfare.

Ms. MCMAHON. Actually, we find that unemployment is not really in the secondary market where welfare recipients are likely to get their jobs. Also, because State and local entities, nonprofit agencies, are not usually able to provide the level of services that they would in good times, it is really the States that have higher unemployment that have more successful workfare programs.

Chairman FORD. Where do you place the kids when the parent is working?

Ms. MCMAHON. Forty percent of the AFDC recipients who would be required to participate have children that are in school. In other words, they have no children at home. So, normally, you can work out a situation where the parent would be working during the time that the child is in school.

Chairman FORD. School is out now. What happens for the summer?

Ms. MCMAHON. Some States, frankly, are waiting until school starts to start their workfare programs.

Chairman FORD. Will they have to make up those hours when the kids were out of school?

Ms. MCMAHON. No; they will not.

Chairman FORD. Do these jobs provide medical insurance coverage.

Ms. MCMAHON. No; they do not.

Chairman FORD. Retirement benefits? What are the fringes with the job?

Ms. MCMAHON. You have to remember in workfare obviously, these people are not employees, per se. The thought behind workfare——

Chairman FORD. You told me they were working, right?

Ms. MCMAHON. Yes, sir. The theory behind workfare is that it is for people not able to get a job in the private sector, which of course is our first desire. That is another reason why we have things like job search. We found, for instance, that in States using job search, 25 percent of the applicants were able to find jobs before they went on welfare. We would much prefer they would get a job in the private sector before having to go on welfare, and then they wouldn't have to go into a workfare program.

However, they do continue to get medicaid because they are AFDC recipients. So that is the medical coverage. States can provide workers compensation. They get other kinds of services that they are entitled to as AFDC recipients.

Chairman FORD. You mentioned a dispatcher, in other words, if the municipal government had a dispatcher they paid *x* amount of dollars, and a person receiving AFDC worked right beside her for 3 and 4 hours a day, 3 days a week, the workfare recipient would not be able to participate in the pension plan, the insurance coverage, the retirement system, and other fringes on the job. Is that correct? In other words, they would be treated differently from that dispatcher that would be working for the city government. Is that correct?

Ms. MCMAHON. The job wouldn't even be available to them because the reason——

Chairman FORD. I know. I understand that. We are talking about those who are placed on the job, working as a dispatcher would not be treated the same as a person paid by the municipal government. Is that correct?

Ms. MCMAHON. They would be continuing to receive a welfare grant and the services that go with the welfare grant.

Chairman FORD. I understand that but the fringes that that other dispatcher working side by side to the AFDC recipient, would receive fringe benefits associated with the job, and the recipient would not. In other words, a dispatcher in my hometown would be eligible to participate in the pension plan, the retirement system, the insurance plan, and in other fringes of the city government.

They would have holidays, they would have their work requirements centered around municipal guidelines. However, when a State places a person on workfare, they would not enjoy those fringes. Is that correct?

Ms. **McMahon**. They would be receiving a welfare grant so they would not be entitled to the same——

Chairman **Ford**. The municipal employee would be receiving a city check. I understand that. I am talking about the fringes. The person would not be entitled to them. There is a distinct difference between a municipal employee and a workfare employee outside of the welfare check and the city check. There are other fringes that would come with that.

Ms. **McMahon**. The workfare employee would get medicaid and a welfare check. The regular employee would get a salary and whatever benefits go with that job.

Chairman **Ford**. On page 7 of your testimony you talked about the social services and foster care. You talked about it in the second paragraph but changed the important safeguards of foster care children contained in the Adoption Assistance and Child Welfare Act of 1980. You also go on to talk about a level of $380 million is requested for the new child welfare block grant authority. Are we being specific about how many dollars actually will be cut?

You are Ms. Hawkes; is that correct?

Ms. **Hawkes**. That is correct, Mr. Chairman. We can't say specifically how much there is a decrease in the level because we don't know yet what the 1982 figures are, since we are still in the 1982 fiscal year. The CBO estimates are that foster care will go up to $395 million in 1983. That is foster care alone.

Chairman **Ford**. We don't have the 1982 figures, is that correct?

Ms. **Hawkes**. That is correct, because people are still continuing to get foster care, so we don't yet have the total amount. It is an open-ended program. We pay whatever the States use. At the present time it is an entitlement program. Since it is open-ended we won't know until late September exactly how much they have spent.

Chairman **Ford**. Staff just told me total cuts were approximately $30 million.

Ms. **Hawkes**. That is probably based on CBO estimates?

Chairman **Ford**. That is correct, CBO estimates.

Ms. **Hawkes**. So it is an estimate of what they are projecting the expenditures will be. At this time we are projecting——

Chairman **Ford**. Do you agree or disagree with CBO's estimates?

Ms. **Hawkes**. Well, I am not—I really don't know because I don't know what they are estimating for fiscal year 1982. But at this time we are estimating that for fiscal year 1982 the costs are going to be $366 million for the foster care program. I don't know what CBO's estimates are for 1982. Their estimates for 1983 are an additional $30 million.

Chairman **Ford**. An additional $30 million?

Ms. **Hawkes**. They are estimating $395 million for 1983.

Chairman **Ford**. The administration has requested a level, going by your testimony, Ms. McMahon, $1.974 billion for the social services block grant for fiscal year 1983. That is down from $2.4 billion?

Ms. **Hawkes**. That is correct.

Chairman FORD. You use these figures, but we didn't use what it would be down from. I am seeing the $1.974 billion. But it is down from $2.4 billion. Is that correct?

Ms. HAWKES. That is correct.

Chairman FORD. $2.45 billion, I stand to be corrected. I am trying to keep these figures for the record.

Ms. HAWKES. No sir. The 1982 level is $2.4 billion. Under current law, the 1983 level will be $2.45 billion.

Chairman FORD. We are examining a set of figures for fiscal year 1983, but I am trying to see the actual impact your budget proposals will have in fiscal year 1983. It is difficult for me to do so when your request is not presented in relation to the amount authorized for fiscal year 1982, $2.45 billion.

By my calculation the amount requested represents approximately 82 percent of the amount States received in fiscal year 1982. So I guess that is the 82 percent from the $2.4 billion. Is that correct?

Ms. HAWKES. That is correct. The current year is $2.4 billion.

Chairman FORD. Mr. Matsui, Mr. Gradison, further questions? Mr. Matsui.

Mr. MATSUI. Thank you, Mr. Chairman.

Has the proposal to include for purposes of determining eligibility for AFDC the income of all unrelated adults living in a household with the AFDC recipient been reduced to actual legislation as of this time?

Ms. MCMAHON. Yes, sir. We have legislation, the Social Welfare Amendments of 1982, on the Hill. I don't think the legislation has actually been introduced at this time, but it is in legislative form.

Mr. MATSUI. I understand your proposal will save $20 billion—$20 million in 1982 and, some $69 million in 1983. Is that correct? That is according to our report. What do your figures show?

Ms. MCMAHON. We show $69 million for fiscal year 1983, $70 million for 1984 and 1985, for a total over the 3-year period of approximately $209 million.

Mr. MATSUI. I can understand how you could include the income of an individual if that individual is receiving some type of Federal assistance because you would have access to income information on these individuals. But if the individual is not receiving any Federal benefits, how do you propose to get that information if the individual is unwilling to give it and the recipient is unable to convince the other individual to give it?

Ms. MCMAHON. It is up to the applicant. We already have two pieces of legislation that were passed by Congress last year that have the same situation. That is, the step-parent income and the alien sponsors income. It is the responsibility of the applicant to provide all information. It is now and always has been the responsibility of the applicant to provide all information for the State to verify income and resources.

Mr. MATSUI. What if the individual is just not willing to give the information? Then you just cut off the recipient?

Ms. MCMAHON. They would not be eligible because we would not be able to determine eligibility. We wouldn't have the right information to do that.

Mr. MATSUI. I can understand it with respect to the alien situation because the individual who is the sponsor has to sign certain documents. I suppose the stepparent situation makes a certain amount of sense, too, because you have a marital relationship between the recipient and the other person.

But if a recipient shares a household with other unrelated persons, isn't there a question of fairness involved if those other persons do not submit the information. Maybe you don't feel it is unfair.

Ms. McMAHON. If you look at the history of what has been going on in the last several years, you have many instances where individuals are living together without sanction of marriage. But they have an actual relationship that is similar to a marriage. And you go into a court and get sued for what would be alimony, which is not actually alimony because there is not a marriage.

But you have a number of situations in our society that relate to that kind of thing. We think in the instance where there are so many households where there is a person available in the household with income who in fact gets the benefit of the AFDC grant because they are living in that family, and that money is available to that family, consequently they get some result from that.

Mr. MATSUI. If there is a relationship without the benefit of marriage between the person and the recipient perhaps you want to go after those individuals because it is somewhat similar to a stepparent situation.

But what about the situation where you have a couple who allows another individual with two children to live in their house?

Ms. McMAHON. That is a different situation.

Mr. MATSUI. Would it still be included in your proposed legislation or is there an exception for that situation?

Ms. McMAHON. In that case the way we handle the issue of families sharing households is through the proration of utilities and shelter amount. We don't count the income. We only count the income in the case where an unrelated adult is living with the family. If they are sharing households that is a different situation.

Mr. MATSUI. Perhaps my comments were not clear. A couple has a house. They have friends who were kicked out of their house or their apartment. So they invite, let's say, the mother and two children into their household.

Ms. McMAHON. That income does not count. We do prorate the shelter and utilities. Consequently, there will be some reduction in the grant if those two families are unrelated. But we don't count their income.

Mr. MATSUI. Thank you.

Chairman FORD. Mr. Gradison.

Mr. GRADISON. Thank you, Mr. Chairman.

Ms. McMahon, as you know, this subcommittee has in the past been strongly supportive of efforts to strengthen the program of child support enforcement. With 85 percent of the AFDC caseload attributable to absent fathers who are not supporting their children or not supporting them adequately, it is imperative that we continue to build on the good effort already begun to increase child support enforcement. However, a large and very important part of the child support enforcement program is devoted to collection of support for children who are not yet on AFDC, and for children whose standard of living would be substantially improved by the addition of child support to their mother's earnings.

This non-AFDC child support in my judgment is equally important to the AFDC-focused effort. I think we should be giving full attention to both efforts. At least that has been our intention in the past. There has been some concern expressed that the administration's proposal for restructuring the incentives under the child support enforcement program will downplay the non-AFDC effort and may encourage States to concentrate the bulk of their efforts on AFDC to the virtual exclusion of non-AFDC enforcement.

I would appreciate any comments you might be in a position to make at this time regarding this concern, and would welcome a chance to work with you in the future to seek a way to encourage States to pursue aggressive and effective programs for child support enforcement for poor and nonpoor families alike.

Ms. **McMahon**. Mr. Schutzman will respond.

Mr. **Schutzman**. We would agree with you that there is a social benefit and also a cost avoidance element related to the non-AFDC program. We believe that our proposal, which would strengthen the entire program, should not affect the non-AFDC program. It is a requirement and if the States do not enforce the non-AFDC program, they are subject to a penalty.

In addition, one of the proposals we have is to change our reward system every 2 years. One of the purposes of that was to include a reward for measurable cost avoidance as a result of the non-AFDC program. To date we do not have any figures except gross estimates on the effect of the non-AFDC collections as far as avoiding welfare costs. We have a number of studies underway, and we have a plan to include that in the future in order to strengthen the program.

Mr. **Gradison**. We will be continuing to monitor progress. We would certainly welcome the information once it is available from these studies so that we can see how it is coming along.

Thank you, Mr. Chairman.

Chairman **Ford**. Thank you, Mr. Gradison.

Mr. Bailey?

Mr. **Bailey**. Thank you, Mr. Chairman. When you made your statement, you referred to some collections amendments or something on State enforcement programs on AFDC collections?

Mr. **Schutzman**. I am sorry, I didn't understand your question.

Mr. **Bailey**. When the statement was made earlier about some of your recommendations, you referred to the program of the cost of AFDC collections and flexibility on the part of the State, you know, to collect support payments.

Mr. **Schutzman**. Yes.

Mr. **Bailey**. Are you aware of my position on that? It sounded like you were very much in accord on that. Are you folks aware of the bill we have in conference right now, H.R. 4717? Are you?

Mr. **Schutzman**. Yes, I am familiar with H.R. 4717 and the position on the non-AFDC fee.

Mr. **Bailey**. Yes. Are you supportive of the position, at least in the bill in conference right now on that issue?

Mr. **Schutzman**. We are in support of the provision in the bill with a few changes. We would like to make the fee mandatory, and we would like to put a limit on the fee.

Mr. BAILEY. How would the mandatory aspect affect a State like Pennsylvania? You are aware of our problem there?

Mr. SCHUTZMAN. I am not sure I know your problem in Pennsylvania. Pennsylvania has a very large non-AFDC program.

Mr. BAILEY. Let me boil the problem in Pennsylvania down for you. In the original position you folks took, it would require us to go back in just about every single case. You would have legally provided a ground for reopening those cases and reissuance of court orders which would have meant a rehearing on support in all those cases.

That is why I had argued for changes.

Mr. SCHUTZMAN. No. We agree with those changes.

Mr. BAILEY. You do? That is wonderful.

Mr. SCHUTZMAN. Part of the reconciliation bill last year included that the 10-percent fee be collected from the absent parent.

Mr. BAILEY. Yes.

Mr. SCHUTZMAN. We were opposed to the requirement that the fee be collected only from the absent parent.

Mr. BAILEY. That is right. Good.

Mr. SCHUTZMAN. So that H.R. 4717 does——

Mr. BAILEY. You are supportive——

Mr. SCHUTZMAN. We are supportive of that. As I said. However, the provisions that were left out of 4717 and are part of the Social Welfare Amendments of 1982 support H.R. 4717 with, I say, two modifications. One is to make the fee mandatory——

Mr. BAILEY. OK.

Mr. SCHUTZMAN. Our modification allows States to collect from the absent parent.

Mr. BAILEY. That would hurt Pennsylvania, at least as you have it?

Mr. SCHUTZMAN. Well, the domestic relations folks in Pennsylvania are opposed to making the fee mandatory.

Mr. BAILEY. Yes, I know they are. How does our Governor in Pennsylvania feel?

Mr. SCHUTZMAN. I am not sure.

Mr. BAILEY. Well, he is one of yours. I will tell you, I have worked closely with him and tried to help him on these things for the good of our State because he is up against some great problems. And regardless of what party he is. I want to say this to you. We have some problems in conference with H.R. 4717 as it is, you know, some general things, including unemployment compensation for ex-service members which is very close to my heart, but not to yours, apparently.

I am wondering if I were able to scratch together a piece of legislation on this issue if you folks could lend your support. There is a lot of common ground on this issue. And I think maybe our subcommittee chairman would help us and the chairman of the full committee would help us. And if you folks would help, I think we could maybe get that little thing through. It means $10, $20 million to the State of Pennsylvania. But in terms of administration in the State of Pennsylvania, it leaves some flexibility. You're not against the flexibility, are you?

Mr. SCHUTZMAN. Oh, no, no. We are for flexibility. We are against the provision as it was passed. We support Pennsylvania in getting, trying to get the change. We support the——

Mr. BAILEY. Let me try to get something scratched up, then, that we can work together on. Would you consider helping me with it if it meets your approval?

Mr. SCHUTZMAN. We certainly would.

Mr. BAILEY. It would be a small thing. But I don't think, being attached to these other things, they are going to set there and vegetate if this keeps up.

Mr. SCHUTZMAN. No, but we do have the support, the equivalent of the H.R. 4717 bill in our Social Welfare Amendments of 1982 with two additional provisions as I mentioned earlier. Making the fee mandatory. Giving the States the flexibility.

Mr. BAILEY. Making it mandatory does not necessarily cause Pennsylvania a problem provided there is flexibility on how the State administers and collects it.

Mr. SCHUTZMAN. We are in full accord with that.

Mr. BAILEY. Then could we get together on that? There is a member of my staff sitting behind you, Dave Flanders is his name. I wonder if we can get in touch, get something worked out. Then I can get to work on it because you just don't realize the incredible inconvenience and expense this would cause our court system in Pennsylvania. They would be overloaded across the entire State.

If I could use the term "defense attorney"—you know what I mean, every defense attorney would use it as grounds to reopen every darn support order in the State. It would kill us.

Mr. SCHUTZMAN. No, we agree with that. In fact, we have made an estimate that the provision as passed last year would cost us $16 million. It was not intended.

Mr. BAILEY. Anyone with a respect for the rights of women know they get cheated in these darn cases anyway, and I am using the language very conservatively, as you know. They get harassed to death on these payments, and anybody who has any respect for the rights of these dependent children I think would help me with this. So I look, very much, to your very strong support.

I thank you very much. Mr. Flanders will contact you right after the hearing.

Thank you, Mr. Chairman.

Chairman FORD. Thank you. If there are no further questions, the Chairman would like to make one comment as we close out with this panel.

The reductions due to the legislation adopted and enacted in 1981 for fiscal year 1982 shows in 1982 under title XX, the cuts were $685 million and the child welfare adoption assistance, $62 million, AFDC benefits and child support enforcement is $860 million, SSI was $28 million, and low-income energy assistance, $123 million.

Now, the impact for fiscal year 1983 without any additional legislation, without the proposed budget cuts by the administration—that is, if Congress did not act at all in this area—under title XX social services, would be $748 million for fiscal year 1983, AFDC benefits and child support enforcement would be $858 million, and SSI, $43 million.

If the President's proposals are adopted by this Congress in fiscal year 1983, in addition to the reductions for fiscal year 1983 enacted last year, another $476 million under social services title XX, $132 million in child welfare adoption assistance, and $1.409 billion in AFDC would be cut. This would give us a total in the 2 fiscal years 1982 and 1983: Title XX social services, $1,224,000,000, which is a 38.3 percent reduction over fiscal year 1981.

In child welfare adoption assistance, it would be a total of $132 million or 25.6 percent. In AFDC benefits and the child support enforcement, it would be $2.267 billion or 24.8 percent in cuts. SSI would be $234 million, or 3.6 percent. Those are the cuts that we are addressing in these proposed budget cuts for fiscal year 1983, in addition to the effect that they will have from fiscal year 1982 on the fiscal year 1983 budget.

I do not know of any other area that the budget that would suffer cuts of 38, 25 and 24 percentage points in the level of these programs prior to reconciliation in 1981.

Mr. Gradison.

Mr. GRADISON. Mr. Chairman, I just want to make sure I understand your point specifically with regard to title XX. I assume that you are calling a cut the difference between what we would have spent under the old law and what we are going to spend now. In other words, the law provided a gradual increase over the next few years in title XX for the States.

We have not provided that. We have changed our minds, just as previously it provided another amount. I am talking about title XX in fiscal years 1982 and 1983. Is that not correct?

Ms. MCMAHON. That is correct. That is true in the other programs as well. It is not a direct cut between what was spent in 1981 and what will be spent in 1982. It is the difference between what was spent and what would have been spent, because those programs would have continued to go up.

Mr. GRADISON. If I promised my wife an extra $20 a week for groceries next year and find I can only give her $10, I do not think I would accept the argument that I have cut spending $10. I have actually increased it $10. I think here that while I do not question the accuracy of your numbers as you calculate them, I think it is important for the record to point out that these are not cuts in the level which had actually been spent in these programs, not to the extent you have mentioned. Yes, there are some cuts. I am not arguing that.

But I think that the percentages which you are using grossly overstate the amount of the budget changes that have been made.

Chairman FORD. Well, Mr. Gradison, it is a fact, and I think the witnesses can attest to this fact, that in 1982, 1983 and 1984 there was a $100 million per year increase in the title XX social services. Now is that a fact or not?

Ms. MCMAHON. That was in the law.

Chairman FORD. That was in the law, is that correct?

Ms. HAWKES. That is correct.

Chairman FORD. Prior law, is that correct, prior to the Reagan administration proposing the reconciliation changes in 1981 that took effect in 1982. A cut, Mr. Gradison, is a cut. Prior law, prior to the Reagan administration, it would have been $100 million in each of those fiscal years. That was the law. We have changed the law.

If you have allocated your financial arrangements with your wife to give her *x* amount of dollars and if you had earmarked those dollars and promised her those dollars and signed a contract, I would think that you would be entitled to give your wife those 20 extra dollars that you had promised her.

Mr. **GRADISON.** Mr. Chairman, you made my point for me. We have not earmarked the dollars. We do not have the dollars. That is the very point. If this Congress goes on the assumption that anything that we have approved for the future or authorized for the future is going to be funded, we would have been bankrupt even earlier than we are. It has been known for years that our authorizations and programs which operate on the authorization basis are tens of billions of dollars a year in excess of what we actually appropriate.

To come back and say we promised certain dollar amounts a year, whether they are for soil conservation or child welfare or some other program, and we did not appropriate the money, then saying we have cut spending, I think is stretching the term.

I am not suggesting that your numbers are incorrect. To repeat, I think in fairness you have got to look at what we were actually spending as well as what perhaps we had hoped to spend in arriving at a judgment about whether we came up with the proper figure.

But I repeat, if you do not appropriate an increase, for example, $100 million a year, I think you could just as well argue that our finances were such that we could not afford the increase as to say we made a cut. If we had $3 billion a year for a program and we wanted it to go to 3.1, 3.2 and 3.3 and froze it at $3 billion, I must say I could not accept the description of those next 3 years as cuts. What we actually would be doing in that case is continuing the same $3 billion payment.

Chairman **FORD.** Would your argument apply to the military and defense budget, too?

Mr. **GRADISON.** I would apply it to every budget.

Chairman **FORD.** That information should go to the administration because they do not use your arguments when they deal with the defense budget at all, Mr. Gradison.

Mr. **GRADISON.** I am not arguing for them. I am arguing for myself and am trying to put—no, believe me, I vote with them when I think they are right and do not when I think they are wrong. There are cases on both sides, Mr. Chairman.

Chairman **FORD.** The figures show here in 1981 it was $2.9 billion. Is that correct?

Ms. **HAWKES.** That is correct.

Chairman **FORD.** $2.9 billion. In 1983 the proposed 1983 is $1.9 billion. Is that correct?

Ms. **HAWKES.** That is correct. In 1982 it is $2.4.

Chairman **FORD.** Not speaking of 1982, ma'am. I am saying in 1981, prior law, prior to President Reagan taking office and proposing his budget cuts, it was $2.9 billion. Is that correct? For the program?

Ms. **HAWKES.** That is correct.

Chairman **Ford**. In fiscal year 1981 it was $2.9 billion. In fiscal year 1983 the proposed cuts would be $1.9 billion, is that correct?

Ms. **Hawkes**. That is correct, Mr. Chairman.

Chairman **Ford**. Mr. Gradison, using your argument it is still $1 billion from prior law of 1981 to proposals that are before us now in 1983, it is $1.9. If I am correct it is $1 billion. So let's remove that from 38 percent maybe down to 33 percent, if you want to, you know, use those figures and not talk about that, the additional $100 billion each fiscal year. It is still $1 billion.

As chairman of this committee, I still think that the reduction is too much. Are there other questions, Mr. Gradison?

Mr. **Gradison**. No, Mr. Chairman.

Chairman **Ford**. I want to thank the panel very much for coming.

Ms. **McMahon**. Thank you, Mr. Chairman.

Chairman **Ford**. There is a vote on the floor now. Mr. Bailey, if you would go, vote and come back immediately, I will stay and try to conduct the business of the subcommittee.

In the meantime, we will call up the second panel. We are delighted to have with us from the great State of Tennessee, the Honorable Sammie Lynn Puett, commissioner for the Department of Human Services. I am delighted to have the commissioner with us. I represent a congressional district in the State of Tennessee and we welcome you.

Also, Ms. Cathy Gilmore from the State of Utah, representing the Governor, who is the assistant director of the Utah Department of Social Services. Also the National Council of State Public Welfare Administrators, Michael Fogarty, deputy director of the Oklahoma Department of Human Services.

I would like to welcome each of the witnesses on this panel appearing before the subcommittee today, and we look forward to hearing from you and your testimony before the committee today.

We will start off with the gentlelady from the State of Tennessee, Ms. Sammie Lynn Puett.

STATEMENT OF SAMMIE LYNN PUETT, COMMISSIONER, DEPARTMENT OF HUMAN SERVICES, STATE OF TENNESSEE, REPRESENTING HON. LAMAR ALEXANDER, GOVERNOR

Ms. **Puett**. Thank you, Mr. Chairman. I, too, have a formal statement which I will try to hit the high points of in the interest of saving your time, but would like to have that full statement entered as a matter of record.

Chairman **Ford**. The full statement will in fact be made a part of the record.

Ms. **Puett**. I really appreciate the opportunity to be here from our chairman's home State to review my thoughts on some of the policy changes proposed and under consideration by the subcommittee. Attached to my written statement is also a description of the impact of the Omnibus Budget Reconciliation Act on AFDC and social services program.

I will not review that, but it is attached for your information. I think you can appreciate the difficulty which we who are not here in Washington all the time have in understanding exactly what is under consideration. I hope we have done a reasonable job.

Chairman FORD. Excuse me one minute. It is difficult for some of us who are here in Washington to understand what is under consideration at times, too. You may proceed.

Ms. PUETT. I think we are all laboring under that difficulty. But I will comment on those policy issues that you will be looking at as you try to find a way to, as I understand, reduce spending in the AFDC program by $400 million which I understand is what the budget resolution has proposed that you do.

Before I comment specifically on those I would like briefly to comment on three happenings in the AFDC program in the State of Tennessee which I think bear note, since there is frequent question about what the States are doing to improve that program, both in the quality of the administration and the way it serves our needy citizens.

The first is in the level of the error rate in the State of Tennessee, since so much is being said about the possibility of fiscal sanctions and amount of misspent money in this program. Within the last year we in the State of Tennessee have been able to cut our error rate almost in half. This time a year ago our error rate was 10.3; the most recent sampling period in our preliminary findings indicate that our error rate is 5.4. What is further impressive in that major reduction is the fact that only 1.3 percent of the error is agency error. The remainder, 4.1 percent, is attributable to client error.

We are at this point further believing that if there is a major improvement to be made in our 5.4 percent error rate, it obviously is going to have to come on the client side. That is an area over which we have only very limited control.

We would point out that any company, agency, or organization that operates at a 98.7-percent accuracy rate is doing a terrific job. I think Tennessee is probably not alone in this level of success in trying to determine AFDC eligibility accurately.

The second thing I would call to your attention is the fact that we have had under way in the State of Tennessee the last year a study of improving our standard of need and determining what is an adequate standard of need. We have one of the oldest standards of need in the country. I expect to be on my desk by the end of this week the full report of this committee.

And it is my belief from the preliminary indications I have that the process we have used to develop our standard of need could become a national model. We believe it considers the reasonable basic needs a family has, as well as the other sources of assistance available to that family.

We hope the State of Tennessee will be able to find the funds to provide the improved benefit levels that will be required to support that standard of need if our general assembly adopts it during its next legislative session.

The third thing I would point out to you is that we in the State of Tennessee, come next week, will be raising the benefit levels of our AFDC payments. For the past several years we have been paying 68 percent of our standard of need. As of July 1 we will be paying 71 percent of the standard of need. So if there is a question about the State's commitment to improving our AFDC benefit programs, I hope these figures are testimony to the fact that we are making improvements in very tight years when State revenue growth has not reached the projections on which our State budget has been based.

Let me briefly comment on the policy areas that you will be looking at. The first I would call to your attention relates to error rates. I have mentioned that our error rate is 1.3 percent as far as agency error is concerned. The present proposal that would reduce a tolerable error rate to 3 percent or 2 or 1 percent eventually, or zero, I think is unreasonable and unattainable. I would urge if there is to be a requirement, that it be limited to agency error over which we have control.

I have no problem at all in being held accountable for our workers' errors. But I do have a problem with being held accountable for client errors which we control only to a limited extent. I would say, respectfully, if you would compare the error rates, both agency and client, that the IRS and Social Security Administration has, I think you would find the States are doing a much better job in the AFDC program.

I would urge you to give serious thought to how error rate tolerance should be set and what kind of fiscal sanctions should be imposed.

Insofar as the recommendation of prorated shelter and utility expenses, we have concerns about that as I think I have indicated to you earlier in correspondence, Mr. Chairman. States have been able to decrease errors by going to a consolidated needs standard or standard shelter and utility allowances rather than paying actual cost.

If we move now in the opposite direction, that undoubtedly is going to produce a higher number of errors, and additional mathematic calculations which surely are more error prone. Most AFDC families have fluid living arrangements. And to monitor who is occupying that home—and how the housing should be prorated—would be extremely costly administratively. Such a complex reversal certainly will be costly in terms of increased opportunity for payment error.

We also are concerned about the move to combine welfare administration dollars and cap them at 95 percent of the previous year's level. I have not heard any call for us to do 95 percent of the job that we are doing. In fact, most of the proposals that are before us will increase the administrative complexity of our tasks.

You are asking us to perform more accurately, more timely, and more efficiently. Yet you only want to give us 95 percent of the money to do it. That hardly seems reasonable to me.

I would urge your decision not to do that but to allow us to make all the improvements we can make administratively and to share equally with the Federal Government in the cost of making those improvements.

The proposal that relates to counting the income of unrelated persons in the household, we certainly would agree with philosophically if it is limited to counting the income of what we would choose to call the "elusive man in the household." But we would urge that others not include grandparents, aunts, uncles, and others who have no legal responsibility for those children. As a matter of fact, those family members who do provide for children in their own home are providing a service without pay; and if those children were not able to be in the homes of those caretaker relatives, they would be in much more expensive foster care or institutions.

We do recognize even in counting the income of the men in the home that it will be somewhat of an administrative nightmare, because of the monitoring necessary to determine and verify that a man is in fact present.

In child support, let me say briefly we are concerned with the proposal that would restructure our efforts. We feel that this is probably one of the best programs that we administer. It certainly is effective in the results that it achieves and in the way in which it is administered.

As you are aware, there are tremendous savings in the AFDC grant programs as a result of the collections on behalf of AFDC families. In addition we feel that the collection for non-AFDC families is largely responsible for holding AFDC rolls stable over the last several years because it has prevented those non-AFDC families from coming onto the rolls because of the child support that has been collected.

You may be interested to know that the State of Florida recently conducted a study that showed that its activity on behalf of approximately 5,000 non-AFDC families resulted in almost a $5 million cost avoidance to AFDC. In fact, in HHS's own 6th annual report, it pointed out that $224 million in cost avoidance had been attained through the non-AFDC support phase of the program. If that figure is accurate, and I honestly believe it is probably conservative, the program may gain $50 million in cost savings with the present proposal, but would lose nearly $200 million in deterrent effect.

On the subject of workfare and job search, our concern is not with the concept of workfare and job search but the fact that no national program implemented to date for public assistance recipients has worked very well. We had a pilot project in the State of Tennessee. It was marginally successful. It was probably not cost effective. But as a result of last year's policy changes, States, as has been pointed out, have the opportunity to develop some alternative community work experience programs. We would hope that we would be given time to develop those initiatives before you consider making workfare mandatory.

I would also point out to you that job search, which certainly appears to be more workable, will cost money. It will take time and resources to implement. I think if we are going to insist that these programs work, then we must be willing to provide both at the Federal and State level, the resources to insure their success.

At the time, the April unemployment figure for Tennessee was 10.7, which is below the national average. It has been up in the 12-percent range, but it was down in the month of April to 10.7. That perhaps is not the best of times to go out and try to establish a mandatory work program.

While I have suggested there may be some administrative problems with proposals that are already before you, I would also like to suggest some others for your consideration as you look at ways to come up with the budgetary savings that this committee has been asked to achieve.

The first one that I would mention to you is the elimination of the AFDC-unemployed parent option. There are many States, about 26 I believe, that provide optional AFDC grants. Tennessee is 1 of the 24 and 4 other jurisdictions which do not provide that grant.

The 26 include large States, California, Wisconsin, Michigan, New York and Pennsylvania, all of which pay high AFDC grants to great numbers of persons. It is probable that the savings of Federal funds if this option were eliminated could expand the unemployment compensation possibilities and still effect a significant savings in the AFDC program.

We also believe that unemployment compensation is the more appropriate method of supporting unemployed persons than the AFDC program.

We would also propose that the 4-month 30⅓ disregard be eliminated because the 4-month continuation of that is not a significant incentive to employment in our experience. It is highly error prone, and it is a nuisance administratively. We believe that the savings nationwide would be significant in that elimination.

We would propose that additional savings could come about by reconciling AFDC and food stamp definitions. In the State of Tennessee, the same workers determine eligibility for food stamps and AFDC, although they have to cope with different definitions of income and resources. We would hope that these eligibility criteria would begin to be made uniform instead of going farther and farther apart.

We would also recommend proration of payments and rounding down of dollar benefit levels. Some of that is already in effect in the food stamp program. We would propose that the same regulation also, or procedure, be extended to the AFDC program.

Additional savings could occur by changing the way in which mothers are treated in the AFDC program. Instead of treating minor mothers as separate cases, if the minor lives in the household of her mother, who is also an AFDC recipient, all persons should comprise a single case.

Although some success has been achieved in revising recoupment policies where overpayments have occurred as a result of client error, we would propose that further simplification could occur. My written testimony details our recommendations for changes.

Finally, we would recommend to you that parents with older children be treated differently than is proposed. We do support the proposal that has been made for an employable parent's benefit to end when the youngest child reaches 16. But we do not believe that goes far enough. We believe that as long as a child, 16 or perhaps a year or two younger, is present in the home, that child could be presumed responsbile enough to care for younger children of school age.

Such a policy would require that a parent be dropped from the AFDC unit and seek work when there is a child of that age present in the home to care for himself or younger children. The administration estimated savings of $47 million for excluding parents of children who are at least 16. The policy that I am suggesting would be consistent with the child protective service policy of the State of Tennessee and most other States, and would save considerably more than the administration's suggestion.

There are several other proposals not directly a part of the AFDC program that do give us cause for concern. Those include the possible capping of the foster care 4-E program, and any further reduction beyond that recommended by both the House and the Senate in the funding of title XX. We do believe that the title XX program has been reduced to the minimum level that will make it possible for us to continue to provide needed day care, adoption, foster care, and child and abuse services in our State.

Perhaps I also should say that the State of Tennessee, our general assembly and State administration, has made it very clear that the State does not have the resources to pick up dollars, or to provide dollars that are removed because of changes in the Federal law. It needs to be kept in mind that States, too, are under the press of budgetary restraints. If cuts are made at the Federal level, they will remain. They will not be replaced by State dollars.

I appreciate the opportunity to speak to you today. I would be pleased to furnish additional information or answer questions about the comments that I have made.

Chairman FORD. Thank you very much.

[The prepared statement follows:]

STATEMENT OF SAMMIE LYNN PUETT, COMMISSIONER, TENNESSEE DEPARTMENT OF HUMAN SERVICES

Mr. Chairman, Distinguished Committee Members; I am pleased to be here from the Chairman's home state to review briefly my thoughts about some policy changes which I understand may be under consideration for the AFDC program. I also have attached to my written statement—although I will not review it orally unless you wish—a description of the impact of the Omnibus Budget Reconcilitation Act of 1981 on the AFDC and social services programs.

The pace of activities in Congress during the past several days has been quite hectic, I understand, because of the agreement of the conference committee last Friday to reconcile the differences of the two houses on the budget. In view of the quickness of agreement when it finally came and the impending early consideration of the conference report on the floor of both houses, it has been difficult for those of us who observe your activities from afar to know precisely what is under consideration. I understand that some of those closer at hand may have had the same problem.

Nevertheless, I do wish to comment on several of the policy issues which I feel you will be considering as you respond to the instructions of the budget resolution to reduce spending in the AFDC program by $400 million—or perhaps even more. By way of understanding, first, how much attention has been given in Tennessee to improving the efficiency of the AFDC program, let me brag a little. For the six month reporting period ending last March, the state's preliminary finding of its payment error rate was 5.4 percent—the lowest rate we ever have experienced.

Although this is slightly above the statutory target of 5.0 percent, we are proud to have reduced our error rate by almost one-half within a year—our error rate was 10.3 percent for the period ending March 1981. Our latest calculations show that, of the 5.4 percent, 1.3 percent was attributed to agency errors and 4.1 percent to client errors. We continue to look for improvement in this rate, but we expect that any further cutting of the rate will need to come on the client's side. The clients, however, do not appear to be as anxious to improve as our counselors are. Our 98.7 percent success with such a complicated task as determining AFDC eligibility is something any organization should be proud of. And we certainly are in Tennessee.

We have had underway for several months a study of the AFDC standard of need in Tennessee. The staff group which I have had working on this task has completed its work within the past two days and by the end of this week will have recommended to me a new procedure for determining an appropriate standard. Assuming sufficient state funds are available to adjust the standard, I hope that we will be able to bring about such an improvement soon. This comes on the heels of legislative action to be effective next week, approving an increase in the percentage of the current need standard which Tennessee pays from 68 to 71 percent. These funds were approved by the General Assembly and the Governor in spite of the severe problems which Tennessee is experiencing with state revenue growth.

Now to turn to several policy issues which you may be considering as you look for ways to live within a reduced budget level:

Error rates.—I already have mentioned that the dollar error rate attributed to the agency in Tennessee is 1.3 percent. With the errors attributed to clients being 4.1 percent for the same period, it is clear where the greatest opportunity lies. It is not with improving the efficiency of our eligibility counselors' work. I find it hard to believe that serious consideration could be given to lowering the ceiling for error to 3 percent and I have, two weeks ago, Mr. Chairman, written you and a few other members of the Tennessee Congressional delegation to that effect.

Such a proposal to extract fiscal sanctions from the states would shift the total burden for client errors to the states, which are not committing the errors. We may be approaching the limit of our ability to bring enough pressure to bear to lower client rates. In Tennessee at present, we would be in a vulnerable position if the state agency committed no errors—ever—and the clients continued to commit errors at their current rate. Even monthly reporting does not address the problem of the client who withholds or gives inaccurate information.

Tennessee continues to oppose as unattainable a 3 percent rate—or 2 percent or 1 percent as has been proposed for subsequent years. If you were to impose such a requirement, I urge you to limit the measure to agency error. If you are inclined to impose further expectations on the states, you may wish to review the records of the Internal Revenue Service and Social Security Administration in coping with agency and client error.

Prorating of shelter and utilities.—I also have advised you, Mr. Chairman, of my opposition to proposals to prorate shelter and utility costs for AFDC families living in a unit with non-AFDC members. States have been able to decrease errors by moving to consolidated need standards or standard shelter and utility allowances rather than paying actual costs. To move now in the opposite direction would force states to unconsolidate standards or go through additional mathematical calculations which are highly error prone.

Most AFDC families have fluid living arrangements. The agency monitoring required to keep up with the identity of persons who might be sharing housing with an AFDC family—or the family configuration—would be very costly administratively. And such a complex reversal certainly would be costly in terms of the increased opportunity for payment error.

Combined welfare administration.—You also have heard from me, Mr. Chairman, about the move to reduce the amount of funding available for administration of income maintenance programs by including AFDC, food stamp and medicaid programs within a "combined welfare administration" package funded at 95 percent of current levels. I assume you do not wish us to do 95 percent of the job we now are doing. With the expectations of the Congress, the state legislature and the federal agencies for our improving the job we are doing, it hardly seems reasonable to tell us, in effect, that we actually have too many workers determining eligibility, too many offices too conveniently located for clients, too great an expenditure for data processing when we still are in the stone age of computerization.

Income of unrelated persons.—We in Tennessee applauded the advent last year of counting the income stepparents contribute to AFDC families. We feel the current consideration of expanding this policy to include the income of unrelated adults, including grandparents, and, perhaps, siblings, is unwise and excessive. Many grandparents, aunts and uncles and other persons who are considered unrelated by regulation are saving money for government at all levels by providing homes for children not able to live with their parents. While having no legal responsibility to support these children, many of them feel a moral obligation to do so. Such persons are providing a service, without pay, for children who otherwise might be in more expensive foster care or institutions, if such placements can be made.

We are horrified at the prospect of denying a grandmother who lives only on Social Security an AFDC payment for her grandchildren. We would find more favor philosophically with attempting to recognize the income of the elusive "man in the house," but our staff would have administrative nightmares with the monitoring necessary to properly police such a "man in the house" policy.

My best judgment at present is that we have come as far as possible in counting financial support received by AFDC children.

Child support enforcement.—We also are concerned with proposals to restructure the states' current efforts in child support enforcement and the allied proposals to drop federal matching for administrative expenditures under Title IV-D. I am sure you are aware of the tremendous savings in the AFDC grant programs attributable to collections on behalf of AFDC families. I strongly feel that this major financial benefit to the state and federal governments deserves strong federal support. We feel, in addition, that an attempt to concentrate state efforts to collect child support for AFDC families will have the effect of decreasing collections on behalf of non-AFDC families, therefore making it more difficult for such families to remain off the AFDC rolls. Pursuit of collections for non-AFDC families has been largely responsible for moderating the growth of the AFDC program during the past 5 years. Remove this phase of the program, along with incentive to pursue interstate collections and determinations of paternity, as suggested by the proposed restructuring of child support enforcement, and you can expect the rolls to climb.

The State of Florida recently conducted a study that showed that its activity on behalf of approximately 5,000 non-AFDC families resulted in a $4.8 million cost avoidance to AFDC and Medicaid in fiscal year 1982. HHS, in its Sixth Annual Report to Congress (September 1981), stated that during the preceding year, $244 million in cost avoidance had been attained through the non-AFDC support enforcement phase of the IV-D program. If this figure is accurate, and I believe it to be conservative, the program may gain some $50 million in cost savings with the present proposal but lose nearly $200 million in deterrent effect. It's a bad swap.

Mandatory workfare and job search.—My concern about workfare is that no national work program for public assistance recipients has worked very well. As a result of last year's policy changes, states have the opportunity to develop alternative community work experience programs and I believe we should be given time to develop such initiatives before you consider making workfare mandatory. While job search programs appear to be more workable, if the federal and state governments are willing to invest the resources, this may not be the best of times to mandate workfare. The nation is coming through a period of prolonged severe unemployment and the situation is no better in Tennessee. The April unemployment average for Tennessee was 10.7 percent after several months of unemployment in the range of 12 percent, including 12.3 percent in February. Unemployment in some of our countries has exceeded 30 percent in recent months.

While I have found much fault from an administrative stand-point with several proposals which you are likely to consider, I do realize that you probably will be required in the next few days to identify policy changes to reduce program outlays by several hundred million dollars. I do have some suggestions for your consideration, although the ideas presented will need a good bit of development and scrutiny.

Eliminate AFDC-unemployed parent option.—Many states, I believe about 26, provide optional AFDC grants to families when the reason for need is the unemployment of the principal wage earner. Tennessee is one of the 24 states and four other jurisdictions which do not. The 26 which do include California, Wisconsin, Michigan, New York and Pennsylvania — all of which pay high AFDC grants to great numbers of persons. Savings of federal funds probably would be so great that unemployment compensation could be extended in states with extremely high unemployment, which would be a more appropriate method of supporting unemployed persons and would ease the loss of AFDC benefits for some families.

Eliminate the thirty and one-third disregard.—The disregarding for four months of $30 plus one-third of the remainder of earned income in a nuisance to the states, is highly error prone and is not a significant incentive to employment. Savings nationwide in grant dollars and administrative costs would be significant.

Reconciling AFDC and food stamps.—Many improvements can be made in standardizing definitions used in determining eligibility for AFDC and food stamps. For two years, Tennessee has had the same workers determining eligibility for both programs and they must cope with definitions of income and resources, for example, which continue to diverge.

Prorating payments and rounding down.—By prorating AFDC payments from the date of application, as Tennessee does, and rounding calculations down to the nearest dollar, some money could be saved by a simple administrative procedure. (Tennessee does not presently round downward.)

Minor mothers.—Savings could be realized by not treating as a separate case a minor mother and child who are living in the household of the minor mother's AFDC parent.

Simplify recoupment policies.—Recovery of overpayments could be simplified by providing that grant reduction and/or suspension of benefits may be used to recover overpayments caused by clients. The period of ineligibility or reduced benefits could be determined by dividing the amount of the overpayment by the family's monthly needs reduced by current income. In addition, a time limit should be placed on the period for which recoupment will be sought — perhaps limiting to the prior five years.

Parents with older children.—Proposals have been made that an employable parent's benefit be ended when the youngest child reaches age 16. While I support this proposal, I believe it does not go far enough. As long as a child of 16, or perhaps even a year or two younger, is present in the home, I believe he or she could be presumed responsible enough to care for other younger children who are of school age. Such a policy would require that a parent be dropped from the AFDC unit and seek work when there is a child of 14 or so present in the home to care for himself or for younger children. The administration estimated savings of $47 million for excluding parents of children who are at least 16; the policy I am suggesting would be consistent with the child protective service policy of Tennessee and most other states and should save considerably more than the administration's suggestion.

Several other proposals which are not directly a part of the AFDC program give me some cause for concern—the possible capping of Title IV-E foster care and interest in some quarters in further reducing the level of Title XX funding.

When President Reagan announced in early October 1981, his intention to seek additional 12 percent across-the-board cuts in most domestic programs, Governor Alexander wrote to Chairman Ford and other members of the Tennessee Congressional delegation stating his strong opposition to further reductions in the Social Services Block Grant. He told Chairman Ford, "One impact is clear: Tennessee cannot bear such additional reductions in the Title XX Social Services Block Grant and still maintain essential services for many needy citizens. We simply cannot afford additional reductions in this primary source of funding for child day care, adoption services, foster care, child abuse services and other such vital programs."

Fortunately, a couple of weeks after Governor Alexander wrote our delegation, the administration appeared to change its mind about a further 12 percent reduction in the Social Services Block Grant. We appreciated this change of attitude and we certainly hope that no further reductions will be borne in the Title XX budget you are considering now.

While any specific judgment about the ability of the states to contend with addtional reductions in AFDC must await specific developments in Congress, I do wish to convey what I feel is the sense of both this state administration and the General Assembly. The State of Tennessee is unwilling to pick up from state sources funding which the federal government drops as it attempts to meet the goal of balancing the budget. This general feeling has been made clear in the course of our state budget deliberations for the past two years, both by representatives of the administration and the General Assembly.

This same general principle would apply to any further federal reductions in Title XX funding. There has been no attempt in the current fiscal year, nor in planning for the following fiscal year, to offset the loss of federal dollars with state dollars. While the state has continued to match Title XX funds on a 75-25 basis, although there is no such federal requirement, and local Title XX contractors are being required to do so, no infusion of new governmental funds has come—nor likely will—to offset reduction in federal funding. We are doing everything we can to encourage additional contributions in the private sector and the volunteering of time by private citizens to replace some of the staff efforts lost as a result of the federal cutbacks.

I have appreciated the opportunity to speak to you today and I would be pleased to furnish any additional information which the Subcommittee would find helpful.

A general description of the reductions in Title XX services and AFDC due to the Reconciliation Act of 1981 is attached.

APPENDIX

Supplementary Statement of Sammie Lynn Puett,
Commissioner of Tennessee Department of Human Services

June 23, 1982

The changes introduced October 1, 1981 in AFDC are the most substantial in recent history and the ones in the Title XX program are the most significant since that program's inception in the middle 1970's.

I want to describe how Tennessee has implemented the federally mandated changes and outline the impact of the fiscal year 1982 budget reductions on people and programs. Where we had the discretion, the Department of Human Services attempted to place the impact of reduction of services on those people and programs with the least critical need for such services. While we are fairly tightly constrained by federal law and regulations in the AFDC program, I feel we succeeded in exercising discretion in Title XX cutbacks.

The immediate effect of the October 1 policy changes in AFDC was a reduction in the number of families receiving assistance by 11,046, a decrease of 17 percent.

Each of the 11,046 families terminated and the approximately 4,000 families whose payments were reduced received written notice of such changes and were advised in writing of how to exercise their appeal rights. A rigorous legal challenge of our administration of the changes, particularly with respect to our protection of clients' appeals rights, was brought in U.S. District Court for Middle Tennessee and the judge ultimately ruled that no evidence had been presented that our administrative process had caused irreparable harm or denial of rights to any client.

Of the 11,046 fewer families who received grants in October, 6,789 went off the rolls because they were disqualified by one of the seven major policy changes outlined below. The remaining 4,257 cases were terminated either as a result of routine closures or because they chose not to report information required, particularly in the case of stepparent income. By the end of October some of these families had provided supplemental information not previously furnished or had reapplied and returned to the rolls. The effect of each of the seven policy changes is tabulated below and the policies are described in the following pages.

Policy Change	Cases	Persons	Pct. of Total
Strikers	0	0	0.0
Child 18 or older	419	1,089	6.2
Pregnant woman/ Unborn child	238	619	3.5
WIN Registration	7	18	0.1
Resources	79	205	1.2
Other income closures	1,264	3,286	18.6
Gross income ceiling	4,782	12,433	70.4
Total	6,789	17,650	100.0

Strikers. The state denies assistance to a family if the caretaker relative or only dependent child is participating in a strike on the last day of the month. If a dependent child is one of several children, only that child's assistance is denied. (Previously there was no prohibition against strikers).

Child 18 or older. A child, after his eighteenth birthday month, is ineligible for assistance. (The previous age limit was 21).

Pregnant woman/unborn child. No benefits are available to an unborn child. A pregnant woman may receive assistance in the last four months of pregnancy. (Previously Tennessee made payments for unborn children from the estimated date of conception).

WIN Registration. The caretaker of a child under 6 must personally provide care for the child in order to be exempt from registration. A person age 16-18 must be a full-time student in elementary or secondary education in order to be exempt. (Previously there was no former restriction, the latter included any education, including college).

Resources. Total resources of an aid group may not exceed $1,000, excluding a home, equity value in a car under $1500, and items essential to daily living. (No longer excluded from the limit are personal effects, income producing property, burial plots, and cash value of life insurance policies).

Other income closures. Inclusion of stepparent income, $10 minimum payment, new method of income disregards. (Previously there was no inclusion of stepparent income and a $1 minimum payment).

Gross income ceiling. The gross income of all aid group members must be at or below 150% of the consolidated need standard for that aid group. (Previously no income cap, just comparison to the payment level).

The policy changes in which the state had some discretion were:

Child 18 or older. At state option, those full time students under age 19 expected to complete secondary school before age 19 could remain eligible for AFDC. Tennessee chose the lower eighteenth birthday cutoff for administrative simplicity.

Pregnant woman/unborn child. A state had the option of covering a pregnant woman in the 6th, 7th, 8th, or 9th month month of pregnancy, or after the birth of the child. Tennessee chose the earliest point: coverage beginning in the sixth month.

Resources. Tennessee chose to apply the $1,000 limit to each family size, rather than interpreting the law to allow prorated limits for smaller families (to balance the counting of personal effects, the low car limit, and the low standard of need).

Although difficult to administer, we hope that implementation of monthly reporting of changed circumstances of AFDC clients will greatly help the states monitor eligibility more effectively. Our hope is based on results from a special demonstration project in Shelby County in which, for almost two years, our AFDC program has operated under waivers granted under Section 1115 of the Social Security Act. We have suspended the regular six month review of AFDC cases in favor of a twelve month review, thereby freeing up staff time to concentrate on a month-by-month review of cases known to be error prone. In Shelby County, such error-prone cases have been those with earned income present and those recently approved. As a result of this concentrated review, dollar errors attributed to earned income and recent approvals have been cut by about one-half. When each client must report income or other selected changes monthly in order to remain eligible, we can anticipate a substantial improvement in our efficiency in administering the program. If this is true in Tennessee, there is good reason to believe it will be true nationwide and that monthly reporting will result in a general improvement.

I should like now to highlight the effect of the funding reduction for the social service program and explain how Tennessee planned for block grant implementation.

The Department of Human Services has operated the state's social service program since the program's inception in 1937, delivering the services provided through two different methods. The county offices of the department directly provide those services mandated by state law. Community contracts with approximately 200 other public and private agencies support and supplement these services. These community contracts currently receive half of Tennessee's available Title XX funds.

The Social Services Block Grant Act of 1981 reduced the State of Tennessee's allocation of Title XX funds by 18.25 percent effective October 1, 1981. Advance planning by the Department of Human Services in anticipation of a large reduction in Title XX funds allowed it to quickly adjust the social services program to a lower level of Title XX funding. Included in this advance planning were representatives from the department's social services advisory council system and key officials of the state human resource agencies.

The department distributed its proposed Title XX adjustments throughout the state, and approximately 1,000 persons, including representatives of local governments, attended twelve public hearings held across the state. On the basis of comments received during the review and comment period, the department published its final plan for meeting the reduction of $10,799,000 in the following areas:

Discontinued Services. The department discontinued seven services provided through community contracts. These services included chore services, companionship services, family and individual counseling, health related services, home delivered and congregate meals, housing improvement services, legal services and services for unmarried parents. None of these seven services was provided statewide, and the 12 regional offices and their advisory councils had assigned each a low priority. The projected annual savings in Title XX funds by discontinuing these services was $2,511,000. According to our best estimates, 5,193 persons were receiving these services on September 30, 1981. Many of these persons were able to receive essentially the same service under one of the remaining social services, while some others were successful in working out alternate arrangements.

Alternate Funding. The department transferred funding responsibility for two services to other state human resource agencies through cooperative agreements. The Department of Public Health initially assumed family planning services funded by a transfer of federal funds from the Energy Assistance Block Grant, although later cuts in the energy program caused the state to reassess the transfer and make alternate arrangements. The Commission on Aging assumed home delivered and congregate meals, funded under Title III of the Older Americans Act. The transfer of home delivered and congregate meals to another state organization occurred without an interruption in service except for a small number of disabled persons receiving the service. The department gave special attention to helping those persons work out alternate arrangements through private and public local programs. The department now uses Title IV-B, Child Welfare Services Act, funds in the amount of $2,462,000 to finance part of the cost of protective services for children previously funded entirely by Title XX.

Day Care Staffing Standards. The department reduced the ceilings for child day care (other than infant) and adult day care to reflect the more liberal staffing standards defined by state licensing requirements. The Title XX savings resulting from this change are $596,000.

State Staffing. The department was able to reduce the Title XX budget for state agency personnel by $788,000--about 40 positions--because there were fewer community contract services to monitor.

Training. The department reduced Title XX funds previously authorized for staff training purposes by $1,451,000 without impairing the effectiveness of our training program--placing less dependence on university-provided training and more on in-house training. (All funds previously allotted for training had not been used.)

The Title XX changes described above were in place on October 1, 1981, with appropriate amendments having been made to our social services plan and all legal requirements of the Reconciliation Act having been met.

(d) STANDARD DEDUCTION IN FOOD STAMP PROGRAM

TABLE IV

STATE	DEDUCTION AMOUNT (MONTHLY)
48 States and D. C.	$85

(e) MAXIMUM SHELTER/DEPENDENT CARE DEDUCTION IN FOOD STAMP PROGRAM

TABLE V

STATE	AMOUNT
48 States and D. C.	$115

(f) STANDARD UTILITY ALLOWANCE - FOOD STAMPS

TABLE VI-A

Household Size	1	2	3	4	5	6	7	8	9	10 or more
Utility Standard	111	118	123	129	136	141	148	154	159	166

* SPECIAL UTILITY ALLOWANCE TABLE FOR PUBLIC HOUSING RESIDENTS

* TABLE VI-B

Household Size	1	2	3	4	5	6	7	8	9	10 or more
Special Utility Standard	10	10	10	10	10	10	10	10	10	10

* NOTE: The Special Utility Allowance Standard Table is to be used only for residents of public housing who are billed for excess utilities separate and apart from their rent.

(g) STANDARD TELEPHONE ALLOWANCE - FOOD STAMPS

TABLE VII

Household Size	1	2	3	4	5	6	7	8	9	10 or more
Telephone Standard	11	11	11	11	11	11	11	11	11	11

Chairman FORD. We have from the State of Utah Ms. Gilmore. Cathy, why not give us the benefit of your views.

STATEMENT OF CATHY GILMORE, ASSISTANT DIRECTOR, UTAH DEPARTMENT OF SOCIAL SERVICES, REPRESENTING HON. SCOTT M. MATHESON, GOVERNOR

Ms. GILMORE. Thank you very much.

I have written comments I would like to make part of the record. I would like to emphasize briefly three major issues raised in the written testimony.

Mr. BAILEY. Without objection, any written remarks you submit will be included as part of the record here today.

Ms. GILMORE. Thank you.

Utah is very proud of the management job it has done over the last 10 years in dealing with its AFDC and other welfare assistance programs. We have been able to bring the percentage of our population which is on AFDC from 3.9 percent of the population 10 years ago to 2.3 percent of the population now.

That is in light of a dramatic, approximately 30-percent increase in State population, and dramatic increases in the number of single parent families headed by women. So we feel that we have been able to be effective in spite of some very dramatic demographic trends.

We are especially concerned, given our history with work activities which Utah has historically run, that there are continuing proposals in the administration's proposed legislation, that severely impact our ability to continue to run effective work programs. We have tracked the impact on our welfare caseload of the change in the 30⅓ income disregard.

We are now, after approximately 6 months' experience with the new Omnibus Reconciliation Act changes, down 26 percent from where we were previously in the number of families who are on assistance and are working.

Now that is the number of cases who are no longer earning income. We think that is very dramatic, and we think the long run implications of that are very serious. In Utah 98 percent of those on assistance are women and children. By not working at all, and that is clearly the trend and the trend is continuing downward, by not working at all, women who previously under the old rules would have been working part time, would have been gaining experience, would have been gaining a network of work contacts, would have been working in entry level jobs, working into higher pay, gradually achieving fringe benefit packages such as medical insurance, et cetera, are no longer working.

We think the long-term implications of that are very dramatic. It has been our experience that the most important single factor in getting off assistance is the first job. We see that erosion as being very significant. In addition, our overall caseload costs are up 2 percent over where they were 6 months ago. This does not include a cost of living increase.

So under the new proposals that were supposed to save money, our costs are in fact up 2 percent, and that is almost all attributable to the increase in the grant because people are not working to the degree they were previously. So we think the 30⅓ incentive, and those kinds of work incentives, are absolutely necessary to be reinstituted.

Ms. McMahon referred to recidivism. And she apparently considered that as the key issue in determining whether or not such incentives or disincentives work. It is our experience that we are not getting people as far as recidivism, that is not a word, but we are not getting that far because people are stopping work while they are presently on assistance.

The second area we are particularly concerned with is our child support recovery activities. Utah has the highest rate of recovery of child support payments in the Nation. We are currently at 16 percent. We think that is a dramatic contribution. It plays a dramatic role in keeping welfare costs down and allowing us to recover the kind of payments that we have been making in a State that has a relatively low per capital income.

So we are very concerned that proposals from Congress should strengthen and encourage, rather than discourage, effective child support activities. We think restructuring of the reimbrusement practices with the States will have a very negative effect on States' abilities to carry out active child support enforcement activities.

We believe there are additional options that need to be made part of the law so States can be more effective and interstate activities can be more effective in recovering payments. But we believe the Federal Government needs to be very sensitive to the complexities of running these kinds of operations and that most of these options should be optional to the States and not mandatory.

I think the discussion about Pennsylvania's problems, if you have a mandatory fee, is typical of the kind of problems States will encounter. I think the more a State has done in trying to recover child support payments, the more impact an arbitrary decision at the Federal level will have on their current program activities.

The third area where Utah is especially concerned is in the issue of error rates and recovering penalties from the States. We are especially concerned that the administration seems to want to penalize States in order to achieve goals as opposed to encouragement and providing incentives, and that people respond to incentives whether they are administrators or recipients of welfare benefits.

Under the Michel amendment, Utah's base error rate is 2.8 percent, which is quite low. And therefore we think we can be proud of the kind of work our assistance payments people have done.

But we feel very strongly that the administration's proposal to impose error rate sanctions are arbitrary and unmeetable. That it is not fair to demand of the States standards which the Federal Government itself is not meeting and perhaps cannot meet. That that is discriminatory if you will.

We also believe errors are often the result of new Federal regulations and interpretations. There were 34 changes in AFDC regulations last year. That is an extreme burden for a system to be able to respond to under the extremely tight time frames that the States were given in the last year.

As in Tennessee, Utah workers determine eligibility for AFDC, for food stamps, for medicaid, and for energy assistance. The same worker performs all those activities. The interpretations, changing interpretations, and changing rules on all those programs make it extremely difficult for caseworkers to be able to effectively and accurately make the multiple decisions required under the multiple systems of income and resource definition that we currently have.

In addition, we do not believe that we can totally prevent recipient errors. We can work with recipients to help them report accurately, to make the kind of information available that is necessary. But as States have very tight budgets, very few States are going to be running surpluses this next year, if States are sanctioned because of error rates, then the effect on the grant is going to be that States are basically going to have to lower grants.

That means that people will be penalized for the actions—that individual recipients will be penalized for the actions of other recipients.

We do not believe that is fair. There are a number of other proposals we think you should consider the impact on AFDC and other social services programs. It is very difficult to take into account just the title XX cut and not consider the impact it is going to have on AFDC. A large percentage of title XX moneys are spent on day care. It is our experience that day care and the availability of medicaid have a great deal—or medical services, have a great deal to do with being able to get people off of assistance.

We have attempted in our assistance programs to be able to give people a 4-month medicaid continuation after they lost their grant because of the 30⅓ and the administration did not recognize that there was any relationship or any incentive in the ability to make medical care available to a family as they moved off welfare. So we have not been able to continue that. But we think day care funds and funds of that nature are extremely important if we are going to be able to effectively continue to keep our welfare caseloads down.

We did not have philosophically a great deal of difference with many of the proposals Congress and the administration are proposing with regard to assistance. But we feel that in many cases their solutions to meeting those goals are shortsighted and ignore the basic nature of both the recipients and the administrations that we are trying to run.

Thank you.

[The prepared statement and attachment follow:]

STATEMENT OF CATHY GILMORE, DEPUTY DIRECTOR, UTAH STATE DEPARTMENT OF SOCIAL SERVICES

Mr. Chairman and Members of the Committee:

My name is Cathy Gilmore and I am Deputy Director of the Utah State Department of Social Services. Last month, in your deliberation on HB 6369, you received information from Utah on the impact of the four-month limit on the $30+1/3 earned income disregard. I will update that information; discuss our serious concerns with various AFDC proposals; and indicate those proposals we support.

Last month you reviewed the Utah Department of Social Services report entitled "Welfare Work Incentives/Disincentives." The report covered a short period of time in order to specifically isolate the effect of the four-month limit on the $30+1/3. Updated figures, as of June 3rd, 1982 are as follows:

- The number of AFDC working recipients in Utah has continued to decline during the past 6 months. A net 26% reduction in work effort has occurred. This has increased from the 17% decline reported previously. Both figures are net figures, after subtracting $30+1/3 case closures.

- The particularly sharp decline in the number of working women with young children continues. During the past six months the number of AFDC working recipients with young children has declined by 55%. This has increased from the 40% decline reported previously.

Before the changes in earned income disregards required by the Omnibus Budget Reconciliation Act, the number of earned income cases remained fairly constant - 15% to 16% of caseload. After the change cases dropped to 8.1%. In addition, average earned income per case dropped sharply. The table below details this.

Date	Cases with Earned Income			
	No. Cases	% of Total Cases	Earned Income	Average Earned Income
Dec. 1980	1,875	15.9	$638,057	$340.30
Feb. 1981	1,837	15.2	624,318	339.86
17 Nov 1981	1,713	15.5	749,408	437.48
18 Nov 1981(after 150% CAP)	1,643	15.0	701,317	426.85
19 Nov 1981(after new sequence of earned income disregards)	1,470	13.7	581,753	395.75
15 Mar 1982(after 30+1/3 cut-off)	985	9.1	299,992	304.56
12 May 1982	914	8.5	261,381	285.97
3 June 1982	864	8.1	244,008	282.42

The decline in the number of working recipients has resulted in a net increase in AFDC payments. During the past three months the net monthly cost has increased. After taking into account the savings resulting from cases closed due to the $30+1/3 cut-off, that increase is over $60,000 per month or $720,000 annually.

NOTE: Annually, we expect these costs to continue to increase.

Representatives, I know of no better way to help both the taxpayer and the recipient than to restore some of the basic AFDC earned income disregards. This is essential, if we are to enable recipients to gain work experience and become self-supporting. I submit to you,that, we can reduce the number of families dependent on welfare in Utah and reduce AFDC costs. We can accomplish this if you will either pass H.B. 6369 or, at least, provide some state latitude to continue the $30+1/3 disregard.

I believe our initiative, as one of the first states to institute work projects, shows our commitment to work efforts. Our success over the past decade in reducing the percent of Utah's population receiving AFDC from 3.9% to 2.3% speaks to our ability to reduce costs if we are provided the tools and flexibility to do so.

Utah's next major concern is with the Administration's proposal to impose an inordinately severe, arbitrary, and unmeetable error sanction policy on the states.

- It is unreasonable to impose standards on states that the federal government is unable to meet in similar programs.

- Errors in administering the AFDC program are often the result of new federal regulations and interpretations. There were 34 changes in AFDC regulations last year.

- States continue to be further dependent upon federal staff interpretations of policy which have a decisive effect upon error rate, and
- we can not totally prevent recipient errors.

I am proud of Utah's enviable record, good management of assistance programs, and low error rate. Imposing a severe, arbitrary, and unreasonable sanction would eliminate the good management focus of the present quality control system and impede our efforts to constantly improve management of the AFDC program.

Furthermore, there are a number of problems with the present AFDC error rate system. This includes a lack of statistical reliability and the inclusion of technical (paperwork) errors having nothing to do with eligibility or payments. I urge you to pass language specifically deleting technical errors from being included in the error rate.

We,also,strongly oppose any "cap" on administrative funding when, at the same time, additional administrative burdens are being placed on the state.

I recognize the budget constraints you are under and, thus, support the following proposals:

1. Inclusion of all minor children in the AFDC unit, except SSI disabled who have benefits, as proposed by the Administration. (Savings $63 million.)

2. Elimination of Military Service as a Reason for Deprivation of Support, as proposed by the Administration. (Savings $16 million).

3. Proration of First Month AFDC Benefits. (Savings $14 Million.) We already do this in Utah.)

4. Rounding of AFDC payments to the Lower Whole Dollar. (Savings $10 million.)

5. State Option to Require Job Search for AFDC applicants who would be mandatory WIN registrants, if WIN funding is continued. (Savings $50 - $145 million).

6. Authority for the Secretary of HHS to grant state waivers to make AFDC requirements the same as Food Stamp requirements. Similar provisions already exist in the Food Stamp legislation.

7. State option to reduce the WIN exemption for children from age 6 to age 3 on a statewide or area basis. If, at the same time, basic AFDC work incentives are restored, we anticipate significant savings from this provision.

8. Reduce grants to AFDC households that live with other households (related or non-related) if:

- a simple administrative system is provided for accomplishing this, and,

- the reduced amount is not so large as to preclude households from saving money by living together and,

- errors caused solely by this provision are part of the quality control system and not included within the error rate total for fiscal sanctions.

In the child support area, we urge enactment of provisions which will result in significant savings. We are adamantly opposed to the Administration's proposal to restructure the financing of the child support program.

The Utah Department of Social Services supports the following proposals:

1. Requirement that state agencies collect and distribute child support collections in some foster care homes.
2. Elimination of the child support double payment in some AFDC cases.
3. Mandatory release of data from Food Stamp files.
4. Federal Parent Locate Service (FPLS) access in non-AFDC cases.
5. Availability of members of the Armed Services for service of process.
6. State option to impose a fee on non-AFDC cases.
7. Mandatory allotments for military personnel.
8. Verification of address information by U.S. Post Offices.

In addition, we support the concept of a national wage assignment law which would enable single parents and states to readily collect child support. This proposal would save $100 million annually. Utah recently adopted legislation along these lines.

Details on the effect of the above and other proposals on the State of Utah are attached.

Thank you and I welcome any questions.

Welfare Work Incentive/Disincentive
Impact of Federal FY 82 and 83 Changes

The major goal of a sound public assistance program is to provide needed assistance to households while they become economically self sufficient. The primary objective is to help welfare recipients attain long-term self-sufficiency and economic independence. In other words, assistance is intended to be a temporary support system for individuals who are potentially employable if provided necessary help and assistance.

History of Public Assistance and Work Efforts in Utah from 1970-1980

With this goal in mind, Utah succeeded in reducing the percent of the state's population receiving AFDC assistance from 4% to 2.3% over the last decade. Although program changes and decreases in certain groups of AFDC eligibility can account for part of the reduction, the state attributes much of this success to Utah's work initiatives. These initiatives have provided essential assistance to recipients who wanted to work so they could gain the financial and social rewards from working. An essential element in this effort was the availability of work incentives that were built into assistance programs. These incentives--such as the $30 and one-third earned income disregard--allowed recipients to enter the labor force while still receiving some assistance so they could adjust to the demands of self-sufficiency. Thus the route to self-sufficiency included a stage of total dependence on welfare, and a period of partial dependency linking worker and critical support services necessary during a transition period.

Recent federal changes have seriously jeopardized Utah's ability to continue this successful work effort. The changes threaten to close the door to upward mobility and self-sufficiency for the growing number of poor families headed by women.

FY '82 Changes Affecting Work Efforts and Self-Sufficiency

As part of last year's Federal budget decisions, a number of changes were made in the Aid to Families with Dependent Children (AFDC) and Food Stamp programs. The biggest change that affected work efforts and self-sufficiency is a four-month limit on the $30+1/3rd earned income disregard. With the imposition of this limit, a work incentive for AFDC recipients was eliminated leaving only a flat $75 deduction for full-time work. In most cases the $75 deduction does not equal actual mandatory payroll deductions and work expenses.

Following enactment of the four-month limit on the $30+1/3rd, both the Governor of the State of Utah and the Utah Legislature urged the Federal Administration and Congress to either remove the limit or provide latitude to the state on how long the $30+1/3rd work incentive could be provided. The Governor and the Legislature, community groups, and welfare recipients themselves were very concerned that the limit on work incentive would hinder Utah's successful "Jobs as an Alternative to Welfare" effort, sharply reduce work incentives and result in greater rather than lower welfare expenditures.

Preliminary data indicates that these concerns and fears regarding the effect of the four-month limit on the $30+1/3rd work incentive were correct.

Utah DSS-Revised May 1982

Effect of $30 + 1/3rd Cut-Off on Work Effort in Utah

In conjunction with implementation of the four-month limit on the $30 + 1/3rd, on January 31, 1982, there was a sharp decline in AFDC cases with earned income. After $30 + 1/3rd case closures and reductions are accounted for, the data shows an additonal decline of 255 working recipients, a 17% decline in work effort. While the overall AFDC caseload remained constant, AFDC grant payments increased because fewer recipients are working. This net decline occurred in the three month period from December 1, 1981 to February 25th, 1982.

TABLE I
This Table shows the impact of the four-month limit on the
$30 + 1/3 income disregard.

Earned Income Cases	Dec. 1/81	Feb. 25/82	Difference
Total Cases with Earned Income	1,472	975	- 497
Cases closed due to loss of $30 + 1/3rd (less 8 reopened cases as of March 8th 1982)			- 242
Net reduction in AFDC earned income cases (work effort)			- 255

The 255 cases represent a net 17% decline in work effort.

An analysis by type of earned income cases shows a particularly sharp reduction in the number of working mothers with young children. Between December 1 and February 25th, the number of working AFDC recipients with children under age 6 declined by 40%.

TABLE II
This table shows the Fiscal Impact of the Four-Month Limit on the
$30 + 1/3rd Income Disregard

Earned Income Cases	Dec. 1/81	Feb. 25/82	Difference	AFDC Costs
Grant Reductions Per Month Due to Earned Income	$287,203	$163,300	$123,903	
Amount of Difference Attributed to:				
a. Cases closed due to loss $30+1/3rd			60,000 est.	
b. Reduction in Work Effort (monthly increase in AFDC costs)				+ $64,000
Monthly grant savings due to $30+1/3rd case closures as of March 8, 1982.				- $32,000
NET MONTHLY INCREASE IN AFDC COSTS (Federal and State)				$32,000

The net monthly increased AFDC cost of $32,000 is based on the first few months of data. While the long run monthly fiscal impact is projected to be much higher, the specific impact of the four-month limit on the $30 + 1/3rd will be difficult to isolate from other factors.

We do not know whether the additional decline of 255 AFDC cases with earned income is the result of fewer AFDC recipients starting work or the result of more recipients quiting work or losing their job. Basically what we know is that the unusual drop in the number of cases with earned income occurred simultaneously with the changes.

Proposed FY83 Changes Affecting Work Efforts and Self-Sufficiency

The Federal Administration's proposals for FY83 would institute even further work disincentives through changes in the food stamp program, Medicaid program, and programs designed to aid recipients in necessary training, jobs, and day care. The proposals expected to adversely affect Utah's work effort include:

1. Abolishing the Food Stamp Earned Income Deduction

Currently 18% of gross earnings are deducted in figuring food stamp benefits to compensate for taxes and work related expenses. This deduction was reduced last year and is already less than the actual taxes and work expenses of many working food stamp families.

Abolishing this deduction will result in dramatic benefit reductions for the working poor. Failing to provide an earned income deduction, and basing benefits on gross earnings, is equivalent to assuming that funds withheld for taxes or used for work expenses are actually available for food. Working families will get fewer stamps than those who have the same level of disposable income but do not work.

2. Raising the Food Stamp "benefit reduction rate" from 30-35%

Food stamp benefits are based on the difference between 30% of disposable income and the "Thrifty Food Plan" (a ceiling for Food Stamp benefits). The assumption is that 30% of a family's disposable income is available for food purchases.

The administration's proposal would increase the deduction from 30% to 35%. The result would be fewer food stamps for families, especially working poor families. A working family of three with earned income of $600/mo. that now receives $68 in food stamps would receive $48 in food stamps. This is a cut of almost 1/3. The combined effect of the two food stamp proposals would be devastating. The above working family with a gross income of $600 would have their food stamps cut from $68 to $8.

3. SHORTENING THE FOUR-MONTH EXTENSION OF MEDICAID BENEFITS TO ONE MONTH WHEN A WELFARE RECIPIENT TERMINATES AFDC DUE TO INCREASED EARNINGS

Under current regulations, an AFDC family is eligible for Medicaid benefits while on welfare and for four months after the family leaves AFDC due to increased earnings. This four-month extension provides a bridge between Medicaid coverage while on public assistance and the high cost of medical care or insurance. This bridge is especially important if there are family members with severe and/or chronic health problems. It may be impossible for a former recipient to cover medical expenses for some time after terminating AFDC. Low wage jobs often lack health coverage for dependents. The four-month extension provides medical assistance during this time of transition.

Under this proposal working mothers off AFDC only one month could face health care costs so large that they could be forced to seek AFDC assistance again in order to receive Medicaid benefits.

4. REDUCING THE FEDERAL MATCH FOR OPTIONAL MEDICAID SERVICES

The regular Medicaid program provides health care coverage for AFDC families. The Medical Assistance Only (MAO) program provides medical assistance to non-welfare working poor families. The administration proposes to raise the states' share of the cost for this program. This could jeopardize the MAO program. States would have to find more money to run the program or discontinue it. If the State of Utah eliminated the MAO program approximately 1700 people would be without medical coverge. Many of these people are members of working poor families. If health costs got too high for some working families to handle, AFDC with its accompanying Medicaid coverage could be the only option for a mother concerned with the health of her child.

5. ELIMINATION OF THE WORK INCENTIVE (WIN) PROGRAM

The FY'83 budget would totally eliminate the Work Incentive (WIN) program. This year WIN has provided child care for 610 AFDC recipients, intensive job search assistance to 3,780, skill training for 1,072 on-the-job training for 140, and work experience for 176. Termination of the program will mean that next year about 5,500 AFDC households attempting to become self-sufficient will not receive necessary help.

6. REDUCTIONS IN AVAILABLE DAY CARE SERVICES

Child care has been identified as the single most critical need for AFDC recipients seeking work. Since 67% of the children of AFDC families are under age 9, this is a key issue. Elimination of the WIN program would cost Utah 614 child care slots. The proposed 20% cut in the Social Services Block Grant, if applied equally across all purchased services, would mean the loss of an additional 800 slots. The $140-$160 per month cost of child care makes it nearly impossible for low-wage workers to remain self-sufficient without some assistance paying for this service.

The attached charts detail the effects of the 1982 changes and 1983 proposed changes on an average Utah AFDC household who does to work. In the first example, the AFDC household has a gross earned income of $432 which was the average of the working AFDC households in August 1981. In the second example, the AFDC houshehold has a gross earned income of $583 which is equivalent to full time work at the minimum wage.

Summary:

Based on Utah's past experience and a careful analysis of this year's results, implementation of the proposed changes will mean increasing AFDC rolls, further welfare dependency, and greater program costs. To decrease welfare costs and encourage work as opposed to welfare, Congress should:

1. Restore the $30+1/3rd program.
2. Reject the proposed FY 83 changes which discourage self-sufficiency.

Rough Calculations
April, 1982

Effect of 1982 Changes and Proposed 1983 Changes on an Average Utah AFDC Household

(Mother, 2 children - one under age 6)

	Recipient	Working Recipient		
		Before 1982 Changes	1982 Changes	1983 Proposed Changes
Gross Earned Income*	-0-	$432	$432	$432
AFDC Grant	$367	$215	-0-	-0-
Food Stamps**	110	$ 40	$116	$ 52
Gross Income	$477	$687	$548	$484
Work Expenses***		-50	-50	-50
Taxes + FICA Withholding		-40	-40	40
Medical Expenses ****	-0-	-0-	-0-	-0-
Day Care Expenses (fee) *****	-0-	-0-	-0-	-0-
Net (Spendable) Income	$477	$597	$458	$394
Percent of Poverty Level ($589)	81%	101%	78%	67%
Percent of State Standard Needs Budget ($532)	90%	112%	86%	74%

* The average gross earned income of working AFDC recipients as of August 1981.

** Food Stamp Calculations. Shelter costs were assumed to be $180.

*** Estimated average costs of working including transportation, special clothing etc.

**** Medical Expenses. The household continues to be eligible for Medicaid assistance and, thus, has only incidental medical expenses.

***** Day Care Expenses. The household is eligible for state day care services with no fee.

Rough Calculations
April 1982

Effect of 1982 Changes and Proposed 1983 Changes on an Average Utah AFDC Household

(Mother, 2 children - one under age 6)

	Recipient	Working Recipient		
		Before 1982 Changes	1982 Changes	1983 Proposed Changes
Gross Earned Income*	-0-	$583	$583	$583
AFDC Grant	$367	$110	-0-	-0-
Food Stamps**	110	$ 36	$ 65	-0-
Gross Income	$477	$729	$648	$583
Work Expenses***		-50	-50	-50
Taxes + FICA Withholding		-82	-82	82
Medical Expenses ****	-0-	-0-	-50	-50
Day Care Expenses (fee) *****	-0-	-0-	-22	-22
Net (Spendable) Income	$477	$597	$444	$379
Percent of Poverty Level ($589)	81%	101%	75%	64%
Percent of State Standard Needs Budget ($532)	90%	112%	83%	71%

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* Works full time (174 hrs/mo.) at minimum wage ($3.35/hr.).

** Food Stamp Calculations. Shelter costs were assumed to be $180.

*** Estimated average costs of working including transportation, special clothing etc.

**** Medical Expenses. The household is eligible for Medicaid assistance prior to 1982 changes and, thus, has only incidental medical expenses. The figure of $50 assumes that the mother is provided health insurance by the employee at no cost but has to pay for medical services for thje children.

***** Day Care Expenses. The household is eligible for state day care services with no fee prior to 1982 changes. As a result of 1982 changes which terminate the grant, she comes under the state sliding fee schedule..

Column 1. Non working recipient. Eligible for maximum grant of $367.

Column 2. Working recipient prior to 1982 changes.

Column 3. Working recipient after 1982 changes including: a) for AFDC, standardization and reduction in work expense deduction, elimination of $30+1/3 after four months, and counting of earned income tax deduction on a monthly basis and, b) for food stamps, reduction in earned income disregard from 20% to 18% of gross income. Note, during the first 4 months of earned income, the recipient would be eligible for the $30 + 1/3 earned income deduction and, as a result, a small AFDC grant. The calculations show AFDC grant amount and net income after 4 months.

Column 4. Working recipient under 1983 proposed changes by the Administration including: a) for AFDC, no changes since already ineligible and b) for food stamps, elimination of earned income deduction, counting of energy assistance as income, with average amount of $313 annually, and reduction in food stamp benefits by thirty-five cents for each additional dollar.

Chairman **Ford**. Thank you very much, Commissioner.

Mr. Fogarty.

STATEMENT OF MICHAEL FOGARTY, DEPUTY DIRECTOR, OKLAHOMA DEPARTMENT OF HUMAN SERVICES, REPRESENTING NATIONAL COUNCIL OF STATE PUBLIC WELFARE ADMINISTRATORS

Mr. **Fogarty**. Thank you, Mr. Chairman, members of the committee.

My name is Michael Fogarty, and I am deputy director of the Oklahoma Department of Human Services. I am also a member of the American Public Welfare Association's National Council of State Public Welfare Administrators, on whose behalf I am testifying today.

We appreciate this opportunity to appear before the committee to share with you our views on proposed changes in the Nation's income security programs.

The council is composed of the top State officials responsible for running the aid to families with dependent children [AFDC], medicaid, food stamp, low-income energy assistance, social services, and child welfare programs.

In the name of economic recovery, Mr. Chairman, and reducing the Federal deficit, the Reagan administration has this year asked you, the Congress, to cut $6.6 billion, or 15 percent from the Federal budget for welfare programs. This is almost double last year's cut for programs that in total constitute less than 6 percent of the Federal budget.

Can welfare reductions substantially reduce a Federal deficit that is in excess of $100 billion? Is it fair, given the $3.6 billion already cut from human services programs, to further slash benefits and services on which the poor depend? The answer is clearly no. To make any real impact on the Federal deficit, the Congress must look elsewhere.

America's poor were the first to contribute to the President's plan for the Nation's economic recovery. President Reagan's fiscal year 1983 proposals asked them to contribute again and bear an unfair burden for the country's financial woes.

They discourage welfare recipients from working and make it more difficult for welfare agencies to encourage work. They shift Federal costs to the States at a time when States simply cannot absorb another large Federal cutback without having to substantially reduce the help available to persons who are genuinely in need. They complicate administration of programs that are already inordinately complex. Let me share with you a few examples of this.

This year's cuts reduce benefits to people who would be considered truly needy even under the most conservative standards. First, the administration would count low-income energy assistance as income in determining AFDC benefits. This would amount to nothing less than giving a welfare family something with one hand and taking it away with the other.

Next, the President would eliminate the parents' portion of the AFDC benefit when the youngest child reaches age 16. This would affect mostly mothers who have been out of the labor force for all or part of their child-rearing years, who often need assistance in making the transition to self-supporting work.

To abruptly cut them off of AFDC leaving them to fend for themselves in an unaccommodating labor market or, if they are lucky, to obtain general assistance financed solely from shrinking State and local governments would be foolhardy and violate the President's own concept of the social safety net.

Finally, the President would include the income of all unrelated adults living with the AFDC family in computing benefits and adjust the amount paid for shelter costs to account for all, related and unrelated, adults who happen to live in the home. On top of the very real administrative difficulty of verifying that an unrelated adult was actually living with the family, the change would fly in the face of established domestic law by requiring that person to help support a family to whom he or she has no legal obligation.

The proposal for prorating shelter costs for AFDC families living with others would in some cases be unfair, requiring a grandmother on social security, for example, to help support the family, and in all cases is an administrative nightmare. It would force States to replace simpler, less expensive flat grants with more complex error prone benefit calculations.

Work and encouraging work is a theme often sounded by the Reagan administration. It is also a first priority of every welfare administrator. Unfortunately, the administration's proposal will make it harder, not easier, for us to encourage work. Money for the WIN program, the only source of funds used exclusively for helping AFDC families find work would be wiped out. Despite the funding loss, States would be expected to establish strict new work requirements such as job search by all applicants and mandatory workfare that would be expensive to administer.

Although States might like to test some of these alternatives, such as job search, the President's recommendation costs money to implement and would not be universally successful. To help AFDC recipients find jobs in the private sector, States need to be able to tailor their jobs programs to recipient and State circumstances.

As an alternative to the administration's work proposals we suggest States be given a second opportunity to participate in the WIN demonstration projects, an opportunity only 15 States have been able to use owing to this year's WIN funding uncertainties. In my own State of Oklahoma, during the first quarter of our WIN demonstration, more than 1,000 AFDC recipients found jobs. Virtually all of those cases have been terminated from the AFDC rolls as a result. This will mean significant Federal and State savings in AFDC.

Workfare and job search should be State options since job search works only, if: (1) there are jobs available; (2) States have the resources needed to help applicants find work; and (3) the individuals have marketable job skills. Before considering a mandatory community work experience program, States should be given the chance to thoroughly test the optional program. It seems very foolish to require unemployed parents to participate in this program since if given a chance, these recipients are most likely to find a real job in the private sector and should be encouraged to do so.

The President also proposes to establish a zero error rate standard by fiscal year 1986, and withhold all Federal funds for payments made in error. This proposal fails to recognize States are making significant progress in reducing errors and forgets that public scrutiny is probably the best incentive for States to reduce error rates.

It would penalize States for errors they cannot entirely control, such as those caused by clients, and mistake-prone Federal policies, like counting step-parent income, and sets a standard for welfare errors that even the much simpler to administer Federal SSI program could not achieve.

Finally, the administration proposes to reduce funds spent on welfare administration by placing an arbitrary cap on these expenditures. We, too, are committed to greater welfare efficiency, but suggest to you that the President's plan when added to the complex new program requirements that I have just discussed, would actually increase administrative costs by increasing the programs' complexity. The proposal does not account for inflation, increases in caseloads in individual States or for States that are more cost-effective than others.

Clearly we oppose most of the administration's proposals for changing welfare programs this year. There are, however, some changes you could make that would improve equity in the treatment of applicants and recipients without driving up administrative costs to unacceptably high levels. There are others that would streamline administration.

For example, we think it makes sense to include all minor children in the AFDC assistance unit except those receiving SSI benefits. Currently some children are excluded from the unit because they have outside sources of income. The change would treat basic family units more fairly than at present, and could reduce errors.

Similarly, we believe parents in the military should be required to contribute financial support for their children. We endorse the child support enforcement proposals that require these parents to make allotments of their salary to their dependents. As I mentioned earlier, we think there would be value in giving States the option to require job search by AFDC applicants and, if sufficient funds are available for day care, to require AFDC mothers to participate in these programs when their youngest child reaches age 3. These mothers are often young themselves and should be helped to acquire job skills that will prevent them from depending on welfare. A second opportunity to participate in the WIN demonstration project will also encourage States to find more effective techniques for helping welfare recipients to find jobs.

Instead of the administration's error rate and administrative cost proposals, we suggest several realistic ways to simplify administration and reduce costs and errors. Most recently we have written to the Secretaries of Health and Human Services and Agriculture, offering to work with them to develop a more rational quality control and performance measurement system. It is our hope such a system would include more than just payment accuracy. Also measuring service quality and efficiency, and would give States rewards for good performance, rewards that do not necessarily have to cost the Federal Government more money and in the long run, would probably yield significant savings. These and other suggestions are discussed in greater detail in our written testimony.

We recognize that these ideas alone may not substantially reduce the Federal deficit or achieve the level of savings negotiated by the conferees on the first budget resolution. But if you must make more than these cuts this year, we urge you to look elsewhere. America's investment in future generations and its responsibility to the elderly and disabled will be jeopardized if Congress chooses to reduce these programs inappropriately.

Mr. Chairman, that concludes my testimony. I would be happy to respond to any questions.

[The prepared statement follows:]

STATEMENT OF MICHAEL FOGARTY, MEMBER, NATIONAL COUNCIL OF STATE PUBLIC WELFARE ADMINISTRATORS OF THE AMERICAN PUBLIC WELFARE ASSOCIATION, AND DEPUTY DIRECTOR, OKLAHOMA DEPARTMENT OF HUMAN SERVICES

Mr. Chairman and members of the committee, my name is Michael Fogarty, and I am deputy director of the Oklahoma Department of Human Services. I am also a member of the American Public Welfare Association's National Council of State Public Welfare Administrators, on whose behalf I am testifying today. We appreciate this opportunity to appear before the committee to share with you our views on proposed changes in the nation's income security programs.

The Council is composed of the top state officials responsible for running the aid to families with dependent children [AFDC], Medicaid, food stamp, low-income energy assistance, social services and child welfare programs. Since its beginning more than 40 years ago, the Council has worked actively with the Congress and the executive branch to develop sound and progressive social policies and to assure their responsible and effective administration at all levels of government. We hope our experience and expertise will prove helpful as you determine, in the next several weeks, how to control federal spending yet still protect and enhance the lives of less fortunate Americans.

As you know from our earlier testimony, we find most of the administration's fiscal year 1983 cuts unpalatable. They ask poor Americans to bear an unfair burden for the nation's economic recovery. They shift current federal costs to states at a time when states simply cannot absorb another large federal cutback without having to substantially reduce the help available to persons who are genuinely in need. They discourage welfare recipients from working and complicate the administration of programs that are already inordinately complex.

ERODING BENEFITS

To come up with this year's larger cuts, the Reagan administration has had to recommend slashing benefits to people who would be considered truly needy by even the most conservative standards. Indeed, our own surveys of the potential impact of the fiscal year 1983 changes shows that the income of virtually all low income families would decline. Let me share with you several examples of this in the AFDC program.

First, the administration would count low-income energy assistance as income in determining AFDC benefits. This proposal would amount to nothing less than giving a welfare family something with one hand and taking it away with the other. Low-income energy assistance was explicitly created by Congress to help people with inadequate incomes—by definition this includes AFDC recipients—meet the high, and now once again rising, cost of heating and cooling their homes. To count this benefit as income suggests that welfare families are now well-off enough to no longer need it.

Secondly, the administration would eliminate the parent's portion of the AFDC benefit when the youngest child in the family reaches age 16. The parents who would be affected by this proposal are mostly mothers who have been out of the active labor force for all or a good part of their child-rearing years, and need assistance in making the transition to self-supporting employment. To abruptly cut them off of AFDC, leaving them to fend for themselves in an unaccommodating labor market, or, if they are fortunate enough, to obtain general assistance financed solely from shrinking state and local dollars, would be foolhardy and violate the president's own concept of the social safety net.

The president would also include the income of all unrelated adults living with the AFDC family in computing benefits and adjust the amount that is paid for shelter costs to account for all—related and unrelated—adults who happen to live in the home. These proposals aim to have households in similar circumstances treated more alike, but they cannot succeed in our judgment. On top of the very real administrative difficulty of verifying that an unrelated adult is actually living with the family, the change would fly in the face of established domestic law by, in effect, requiring that person to help support a family to whom he (or she) has no legal relationship or obligation. Thus the potential for frequent litigation is high and probably not worth the added risk since existing law already requires AFDC recipients to report the income they receive from any other source, including unrelated adults with whom they are living.

The proposal for prorating shelter costs for AFDC families living with others would in some cases be unfair—requiring a grandmother on social security for example, to provide support for the family—and in all cases is an administrative nightmare. Currently, as a way to simplify the benefit calculation and keep administrative costs down, most states use a consolidated or flat AFDC grant in which the amount to cover shelter/utility costs has been standardized according to family size and income. If Congress requires that the administration's error prone calculation (i.e. prorating) be used, states will be forced to abandon this straightforward and inexpensive practice, thereby adding to the time and complexity of benefit determination. Rather than mandating shelter proration, we believe states should have the option to do it based on the likely effect on benefit levels and the cost of program administration.

Finally, we strongly oppose the administration proposals to reduce funds for the Title XX social services block grant and child welfare programs. Title XX was cut back sharply this year; a further reduction would deprive a large number of poor people, mostly children, of needed services such as day care that allows parents to work, and abuse and neglect prevention. As for child welfare, Titles IV-B (child welfare services) and IV-E (foster care and adoption assistance) of the Social Security Security Act have had little more than a year to operate under the reforms instituted by P.L. 96-272. To reduce their funding now would make it impossible for most states to carry out the intent of this new law. We are very pleased that your committee so far has shown no interest in cutting these three programs in fiscal year 1983.

DISCOURAGING WORK

The administration's fiscal year 1983 proposals do not encourage work by AFDC recipients nor do they recognize that recipients of AFDC are not a homogeneous group all possessing the same level of skills, work history and personal circumstances. Mandatory work requirements that apply to all recipient, give states no flexibility, cannot account for the skills and abilities of the recipient, and will not create jobs for all able-bodied welfare recipients. The administration's work proposals will, instead, raise expectations that simply cannot be met, so long as federal resources for helping AFDC mothers secure jobs that pay a living wage continue to shrink and unemployment remains high.

Under the administration's plan, the states would be required to impose strict new work requirements for recipients who are not now working (or who are, according to the administration, not working enough), while sustaining a substantial loss in federal funds for carrying out the current work requirements. Money for the work incentive program—the only source of funds used exclusively for helping AFDC parents find employment—would be totally wiped out, despite the fact that only last year the administration agreed, at the urging of Congress, to let states demonstrate more effective ways to operate WIN. Added to this funding loss is the proposal for reducing administrative funds in AFDC, Medicaid and food stamps but nonetheless requiring states to: operate expensive community work experience programs; require AFDC and food stamp applicants to search for jobs while their applications are being processed; remove parents from assistance when their youngest child reaches age 16 without providing any training or job search assistance to them; and require parents who receive AFDC because they are unemployed to participate in workfare.

Although states might like to test some of these requirements, such as job search for applicants, the administration's recommendations could not be carried out without federal resources and would not be universally successful with all AFDC recipients. Let me explain why: For some recipients, such as unemployed parents, who already have marketable skills, minimal assistance—such as job search at application—may be all that is needed to find work. For others, with limited work experience and few skills, substantially more supportive services are needed. For still others, with severe individual handicaps or personal circumstances, intensive and costly training must be provided.

For these reasons, states should be given flexibility in designing their work programs. As an alternative to repealing the WIN program, we propose giving states a second opportunity to apply for and participate in the WIN demonstration program, an opportunity only 15 states have been able to use owing to this year's WIN funding uncertainty and the comprehensive changes states were faced with implementing this year. Although most states are just beginning to operate their WIN demonstrations, the early experience of Oklahoma—one of the first states to implement the demonstration—suggests that substantial savings could be realized from the projects. Last year in Oklahoma, under the regular WIN program, approximately 2,000 AFDC recipients were placed in jobs. This year, in just the first quarter of the demonstration, over 1,000 recipients found jobs; virtually all of them left the AFDC rolls. If this experience can be repeated nationwide, substantial AFDC savings can be realized. All that would be necessary is a simple re-opening of the "window" for applications and continued federal support. Last year's law established a one-time application deadline of October 13, 1981. Initially, 26 states showed an interest in participating in the program.

We also believe that workfare and job search at application should be state options. Job search works only if there are jobs available, the state has the resources needed to assist employable applicants who don't have the skills needed to find jobs, and the applicant has marketable work experiences. A mandatory requirement would deny states the flexibility they need to target assistance to both the state's and the recipient's circumstances. The same is true of the community work experience program [CWEP]. At the very least, the currently optional program should be thoroughly tested before any mandatory programs are established and workfare by the unemployed parent—the AFDC recipient most likely to quickly find a real job in the private sector—should not be required.

ADMINISTRATIVE ISSUES

I would like to turn now to the question of how the Congress can assure cost-effective administration of the nation's welfare programs, an issue that we as the program's managers, have a responsibility to address. I can assure you that a zero error rate standard, fiscal sanctions for errors above zero, and reduced administrative funds as the administration proposes, will undo much of the administrative progress that we have made in recent years.

The proposal for denying federal reimbursement to states for all erroneous AFDC payments above 3 percent next year with the tolerance level declining to zero in fiscal year 1986 is especially unreasonable. It ignores the fact that states are making significant progress in reducing errors and forgets that public scrutiny is probably the best incentive for states to reduce their error rates. It would establish error tolerance levels that states will never be able to reach and impose financial penalties based on errors that states cannot entirely control—such as errors caused by clients and mistake-prone federal policies like counting stepparent income. Remember too that errors tend to increase when program rules change and become more complicated, as has been the case for the past few years, because they increase the number of decisions that must be made about a case and increase the potential for error. Even the much simpler federal SSI program has a 5.3 percent error rate.

The administration would also reduce federal reimbursement of state administrative costs in AFDC by 5 percent below the level spent from April through March 1982. Like eliminating WIN funding, this proposed change could not come at a worse time. The states have had to increase their administrative effort this year to implement the changes made by the reconciliation legislation. Further effort will be needed next year to carry out whatever revisions flow from the current budget process. Capping administrative funds would limit the ability of program administrators to properly manage AFDC during this period of rapid and unprecedented change and could significantly increase the chances or error if states are forced to curtail error reduction activities in order to economize on costs. Nor would there be any accomodation whatsoever for inflation and caseload increases in individual states or for states that are more cost-effective than others. And, by eliminating incentive funds—especially monies for automated data processing—the proposal would discourage the states from investing in management technology that will eventually produce more efficiently run programs.

The administration claims nonetheless, that the loss of funds could be absorbed without trouble, because states would be freed of cost allocation and federal reporting requirements, and because welfare caseloads, which have dropped as a result of the 1981 reconciliation act changes, would decline further under its other proposals for this year. We disagree. With billions of federal dollars at stake, it seems doubtful that the federal government would eliminate or even substantially relax cost allocation and reporting requirements, and even if it did, the savings would be negligible, certainly far less than the proposed cut. As for caseloads, it is true that they are down from a year ago, but the March 1982 data show the welfare population rising once again—perhaps owing to the state of the economy and the work disincentives recently built into the AFDC law. Even if caseloads were to decline some more, the resulting burden reduciton would be more than offset by the cost of administering many of the other proposals advanced by the administration this year.

ALTERNATIVES

While it is clear by now that we oppose most of the administration's recommendations for changing welfare programs this year, there are some proposals that warrant further discussion. We also have a few alternatives to offer for controlling federal welfare spending. Please understand, however, that states would be content with no further changes in the coming year. Basic welfare programs and the people they serve have already endured more than their fair share of budget cuts. Nevertheless, we know you are seeking alternatives to the presidents's plan, and hope that our suggestions will be persuasive.

As a general rule, we favor those proposals that would improve equity in the treatment of applicants and recipients, without driving up administrative costs to unacceptably high levels, and those that would streamline program management.

Inequities in the way people are treated by welfare programs have long frustrated policymakers and program administrators and will probably continue to in the foreseeable future. However, the Reagan administration's proposal for including all minor, related children (except those receiving supplemental security income) in the AFDC unit makes sense and would enable the states to compute benefits based on the actual income available to an AFDC family. Currently, some children and parents are excluded from the unit because they have outside sources of income, such as earnings, social security benefits, or support payments. Although likely to cost more to administer than current law, the proposed change would treat basic family units more fairly than at present and could reduce errors.

Similarly, we believe that parents in the military should be required to contribute financial support for their children and we endorse the child support enforcement proposals that require military parents to make allotments of their salary to their dependents after two delinquencies have occurred. The immunity from civil process now allowed military personnel should also be limited. these proposals would assure that military service does not automatically exempt parents from contributing to the support of their children.

We also support several other child support enforcement proposals. We agree with eliminating the double payment—AFDC and child support—made to families in the month when child support payments make them ineligible for AFDC. We concur that states should be required to collect and distribute child support in Title IV-E foster care cases so long as states are allowed some discretion to decide when pursuit of child support would not be in the best interests of the child. Finally, the administration's proposals to make optional the unemployment compensation intercept and allow section 1115 waivers for states to test innovative child support enforcement practices would increase state flexibility and should be adopted.

As I implied earlier, we think there would be value in giving states the option to require job search by welfare applicants and to financially sanction expected to work AFDC parents when they voluntarily quit their jobs or reduce their earnings, so long as states have some leeway to exempt parents for good cause. If sufficient federal day care funds and monies for the operation of work programs are available, the state administrators would also like to be permitted to require AFDC mothers to participate in these programs when their youngest child reaches age 3. Mothers with young children on AFDC are often young themselves and should be helped to acquire the skills and training needed to compete in the labor market, before they become too dependent on welfare.

Clearly, we think Congress should give a high priority to work programs for welfare recipients; in the long run this may be the most cost-effective investment you make. Without this investment, we believe many welfare recipients may be relegated to permanent dependence unnecessarily. Specifically, as an alternative to eliminating the existing WIN program we suggest funding for WIN at no less than its final fiscal year 1982 appropriations level and urge you to allow states that, owing to funding uncertainty or other factors, did not apply in fiscal year 1982 for the WIN demonstration authority provided in last year's reconciliation act, to have an opportunity to do so in fiscal year 1983.

We offer several suggestions for simplifying welfare administration. First, we support the proposals for rounding down benefits and prorating the first month's payment and suggest that Congress also make other changes that increase the compatibility of the AFDC and food stamp programs. These programs serve many of the same people and discrepancies between AFDC and food stamp requirements are a major source of error that could be at least partially removed by defining terms in the same way for both programs. Second, we believe the federal practice of threatening states with penalties for supposedly poor performance is ineffective, arbitratrary, and breeds ill will between the different levels of government. Perhaps a better way to improve administration would be to develop a comprehensive measure of performance—that includes more than just payment accuracy, also measuring service quality and efficiency—and give states rewards for good performance. It would be possible, we think, to design such a policy so that it would not cost the federal government any additional money and in the long run would probably yield significant savings.

In child support, we endorse requiring the U.S. Postal Service to verify addresses for the purpose of locating absent parents and believe that food stamp agencies should disclose information from their records for child support enforcement purposes. Similarly, we support state access to the Federal Parent Locator Service in non-AFDC cases before state and local sources have been fully exhausted. This is currently allowed in AFDC cases and could hasten the receipt of child support payments generally.

For the supplemental security income (SSI) program, we believe it makes sense to round benefits down and prorate the first month's benefit as the administration has also proposed for AFDC. Recovering overpayments from available social security benefits, eliminating the $20 disregard, and revising the retrospective budgeting system to immediately account for all predictable income would also save money without disrupting the basic SSI program.

We fully recognize that these ideas alone may not substantially reduce the federal deficit or achieve the level of savings that has been negotiated by the conferees on the first budget resolution. But, if you must make more than these cuts this year, we urge you to look elsewhere. America's investment in future generations and its responsibility to the elderly and disabled will be jeopardized if you choose to reduce these entitlement programs inappropriately.

I would like to close my testimony by reiterrating three important points. First, we recognize that the federal budget must be controlled. We hope that we have given you some ideas about how to do this with the least harm to the poor. Second, we reaffirm our commitment to providing you and other members of Congress with the data and professional advice that are central to informed decision-making. Finally, we believe that domestic social programs and the people they serve have already made their contribution to reducing the deficit in the interest of a stronger economy. We hope that this time around poor families, the elderly and the disabled, will not bear the brunt of federal spending cuts.

That concludes my testimony, Mr. Chairman. I will be happy to answer any questions.

Chairman FORD. The chairman would like to thank each member of the panel for their testimony, and apologize for the votes in the House. I certainly had no intentions of leaving in the middle of your statement, Commissioner Puett, nor did I have any intention of leaving and coming back before you, Ms. Gilmore.

I have several questions I would like to raise. Commissioner Puett, you mention you would eliminate the AFDC $30⅓ disregards. I think Ms. Gilmore was just to the contrary of your testimony and your statement.

I would like to know if you would like to amplify on the position the State has taken as relates to the $30⅓ and the disregards.

Ms. PUETT. I think the thing that has made this undesirable at this point is that the 4-month limit makes it not much of an incentive. When it was an unlimited $30⅓ disregard, it was more desirable than it is. If it is to be there at all, it probably needs to be there for more than 4 months or we probably ought to forget it altogether, because I do not think it is achieving its purpose when limited to 4 months.

Chairman FORD. When you talk about it being limited to 4 months, should we extend it, what time period are we talking about that would make this disregard more viable and one that would be workable with the State governments?

Ms. PUETT. I do not think we have determined what the ideal incentive would be. Certainly we have been concerned with other phases of the program and have not determined what would be a reasonable incentive time period for it to be.

Chairman FORD. Ms. Gilmore, do you have any comments as relate to the timeframe, the months involved, whether it should be removed altogether?

Ms. GILMORE. It is our position that $30⅓ should be there and it should not be time limited. As conditions in the economy change—let me use an example.

A woman has two children. She is divorced. She has not worked since she graduated from high school. She has probably never worked at anything other than maybe some part-time jobs in high school. She gets married, has two children. That is our classic case in Utah.

She then has a divorce and has to reenter the job market. One or both of her children are under the age of 3 years. So when she goes back to work, she has got to reenter the job market. She has no skills, she likely has very little education. She has small children that she needs to provide for, not just the money, but a family environment that is a reasonable and healthy family environment.

If it takes her 6 months working part time, or a year, and it may depend on her circumstances, it may depend on the economy, we believe that that woman should have the time necessary to reenter the job market. She works in a part-time job. She may have to work for 6 months to a year before she can achieve a full-time slot, before she gets medical care to go with the job, before she gets past just an entry level wage.

So we do not believe there should be a time limit to that at all. As she moves into the job force and can support her family, then she will in fact move off assistance. So we believe any time limit is an arbitrary time limit and would not reflect the circumstances of the economy. Certainly when unemployment is high it would be difficult for her to find a full-time job to provide adequately for her family. That is the circumstances we are in now.

Six months from today, 6 months may be a more feasible timeframe. But we believe it ignores the realities of what women have to deal with when they reenter the job market.

Chairman FORD. Mr. Fogarty, do you have any comments on that?

Mr. FOGARTY. An observation perhaps. It seems to me what we are talking about is how to get people off welfare and into jobs. The $30⅓ disregard does that by providing some financial incentive so that folks are better off essentially if they move from welfare into the job market, and perhaps retain some supplement from the welfare system.

Obviously, the other side of that is the punitive approach, what seems to be the more punitive approach. And that is you require people to accept jobs. Failing to do that, you penalize them financially. It seems to me that as we place more emphasis on making job placement programs more effective, we need to rely less on the cutoff of the financial incentive for forcing these people into the job market.

My position, Mr. Chairman, is that I am opposed to the time limit on the $30⅓ disregard. We opposed it last year. And as far as the timeframe, I think that as long as that person is in a job which produces insufficient income for them to produce enough to take care of work-related expenses, and maybe a more significant one is day care, that that disregard ought to apply as long as that person's income is within that range.

So there should be no time limit on the $30⅓ disregard.

Chairman FORD. The Chair is going to ask that each witness remain at the witness table until we can go over and vote. There is a vote. We have only 6 minutes to record our votes on the House floor. We will be back in about 6 minutes.

The committee will stand in recess for 6 minutes.

[Recess.]

Chairman FORD. The committee will be in order.

Inasmuch as we have been talking about the disregards, in Tennessee, Commissioner, since the Reconciliation Act was adopted, have we seen in our State those who have left jobs to return back to the welfare rolls because of the medicaid coverage being threatened and because their earnings now exceed the new program limits?

Ms. PUETT. We have not made that analysis. We would like very much to do that. But we simply have not.

Chairman FORD. Do you think you will be making that analysis in the near future?

Ms. PUETT. I would hope we would be able to identify those characteristics. Part of our problem is our limited computer capability to capture that kind of information from the record system that we have. And we have simply given our attention to trying to reduce our error rate to do some other things that have an administratively higher priority of necessity.

Chairman **Ford**. The administration has talked about the savings because of the new disregards. We are concerned about it because there is legislation before the Congress now that would modify the Reconciliation Act changes. We would like to know or have information from our States as it relates to the disregards.

I am from Shelby County, the largest county in our State. Have you found, as a result of last year's changes, recipients returning to full AFDC to insure medicaid coverage for the children.

There has been a lot of talk about it in this Congress. We have had the administration testify before the subcommittee several weeks ago. We are concerned. I would like to refer the question to you also Ms. Gilmore, because I have seen information from the State of Utah and I would like to get a feel from the two State's witnesses before the committee today.

Ms. Puett, have you talked with the Shelby County welfare director regarding the impact of the AFDC disregard changes? Has there been any discussion relating to the effect of the disregard changes in a large county like Shelby?

Ms. **Puett**. We just simply have not done it to this point.

Chairman **Ford**. Ms. Gilmore, what about the State of Utah?

Ms. **Gilmore**. We are tracking that right now. We are only a couple of months into people having been off of all assistance. So we are tracking that. It is of primary interest to us because it is very difficult to tell how people are going to respond.

So data is much more effective and valuable than intuition on this. We are tracking that and should have information later in the summer. At this point, it appears we have 10 to 15 percent of our cases that were—that lost their benefits as a result of the 4-month time limit that are already back on assistance, but we do not know anything more than that in terms of why at this point.

Chairman **Ford**. Mr. Fogarty, you have been speaking on behalf of the American Public Welfare Association. You might want to comment on the proposed changes from the perspective of the State of Oklahoma. You serve as deputy director?

Mr. **Fogarty**. That is correct.

Chairman **Ford**. Maybe you would like to comment.

Mr. **Fogarty**. At the policy level, and the points to which I spoke in my testimony, the State of Oklahoma essentially agrees with the council. I would mention that Oklahoma would be desirous of providing you information as well on the effects of the elimination of the disregard on people finding their way back to welfare because they find they can just not make it typically, in a minimum wage position without some financial assistance.

It seems to me, from the Oklahoma perspective, perhaps, that several of these issues are classic and historical dilemmas. They are not issues that lend themselves to easy answers. An example of this particularly important dilemma in Oklahoma is the emphasis on the work program. As I mentioned in my testimony, Oklahoma is a demonstration State for the WIN demo. We implemented it as of January 1 of this year. The results of that demonstration are indicating that it is a highly successful program.

The dilemma, however, is the desire to have an effective work program and, at the same time, the perhaps inability or unwillingness to provide some at least short-term investment in terms of

Federal dollars for supporting that program. One has been mentioned by the administration obviously, and to put it kindly, I am intrigued by their apparent position that you can have the best of both worlds. That is, you can put a great deal of emphasis on putting AFDC recipients to work while, at the same time, totally wiping out the very program, WIN, which funds that work program.

Also a dilemma that has not been mentioned extensively is the title XX, program—which is at least as significant. For example in Oklahoma under title XX, 2 years ago the State spent $21 million out of Title XX for the provision of day care services. Last year we spent $18 million because of the Federal reductions in funds. This year ending the end of this month we will spend $13 million. So in the last 2 years we went from $21 million to $13 million.

The fact is today the State through title XX subsidizes about 10,000 children in day care; 75 percent of those subsidies are work related. The balance are education and training related. So that it is critical that the support, the investment be available and be made to support a realistic work program.

A few numbers: In Oklahoma the standard of need for a family of four on AFDC, that would typically be a mother and three children, is $349 a month; 150 percent of that, which is of course the gross income cutoff now for AFDC, is $524. If that mother with three children goes to work under the WIN demonstration program, or under any other circumstances, for that matter, at a full-time minimum wage job she will have a gross income of about $581. That obviously exceeds the 150-percent gross income limit which terminates her AFDC, not to mention title XIX medicaid.

She is then faced with day care expenses for those three children typically at an average of about $160 a month per child. So in order for her without any assistance, to maintain those three children in day care, it is $480, her gross income is $58.

Obviously, she cannot do that.

Chairman FORD. Many of those jobs will not provide full health coverage.

Mr. FOGARTY. Absolutely. There is I must say frankly, some cushion in a State like Oklahoma where we have a very comprehensive medically needy title XIX program as well. So in some emergency circumstances, the children would still be eligible for some medical care.

Chairman FORD. Are you saying that that recipient then no doubt would opt out for the AFDC benefits?

Mr. FOGARTY. I am saying if we come to the point where we expect her to leave the welfare system where she would receive $349, take a minimum wage job where she would get a gross income of $580 and it would cost $480 to take care of her three children, she cannot do that. She cannot live on that $100-a-month difference when you are only considering day care expenses. There are obviously other expenses.

Chairman FORD. I would like to go back to Tennessee for a minute also and look at those same figures for my State. I think we ought to look at a family of three.

In the State of Tennessee, if your earning ability is greater than $268.50 per month, then a person would be ineligible for those AFDC benefits, is that correct?

Ms. PUETT. That is correct.

Chairman FORD. You testified earlier that Tennessee has increased its AFDC payment standard from 68 to 71 percent of the standard of need in the State of Tennessee, am I correct?

Ms. PUETT. Yes, that is the portion of the standard of need which we pay through our benefits.

Chairman FORD. It is presently 68 percent, now it is going to be raised to 71 percent.

Ms. PUETT. Correct.

Chairman FORD. In other words, if a person earned $268.50, that person would be ineligible for the AFDC benefits, a family of three I am speaking of, is that correct?

Ms. PUETT. That is correct.

Chairman FORD. And as you know, AFDC benefits in Tennessee are way under the poverty level for a family of three.

Ms. PUETT. The cutoff is 150 percent of the standard of need. I do not have those figures in front of me, but it is whatever 150 percent of our determined standard of need of a family of three is.

It is not what the benefit level is but what our standard of need is. Let me see if a member of my staff may have the new figures here that will go into effect next week.

I think it is about $326 a month. That is about the cap. They do change next month as a result of our increase in the payment level.

Chairman FORD. You have a supplemental statement.

Ms. PUETT. Right.

Chairman FORD. Page one at the bottom, the figures there discuss the impact of last year's policy changes, cases and persons affected. I see at the bottom here the information regarding the 150 percent gross income ceiling. There were some 4,782 cases affected?

Ms. PUETT. That were closed as a result of the 150 percent standard.

Chairman FORD. You are talking about 4,000 persons removed from the rolls, is that correct?

Ms. PUETT. That is correct.

Chairman FORD. Is that because they had earnings of more than $268.50 per month?

Ms. PUETT. It is because the 150 percent of our standard of need, their income exceeded that, at whatever family size they were.

Chairman FORD. All right.

Ms. PUETT. Tennessee is a poor State as you recognize. Family incomes rank about 48th or 49th in the country. We do not have many people who can pay the taxes to do a whole lot better than that. We are hoping our new standard of need will address that issue to the limit that the State has the resources to do it. We are pleased that we have completed work on a new standard of need to recommend to the Governor and to the General Assembly. We hope they can find the funds within the State budget to fund the new standard.

Chairman FORD. I would totally agree with you that we are a poor State. But we are only poor in the areas that we choose to be poor in. There is no need of us saying that we are that poor that we cannot protect the needy in the State. We have a budget that is a healthy budget that the taxpayers have to meet their obligation each year.

The same is true also in this area, I know we are not doing it with education. That is not being critical of anyone. I just think that we have to in some way take a closer look to say that there are areas which we must bring up in the State.

I commend you and the Governor for looking at the standard of need and moving three points closer to trying to correct a problem that has existed for so many years in the State. It certainly was not a problem you created.

Ms. PUETT. We suffer from an historic problem. Of course Tennessee ranks the same in funding education and most other programs it has. The Governor has, as a priority of his administration, indicated his No. 1 priority is to raise family incomes so we can produce the taxes that will allow us to move upward in all these areas, in education and certainly in the area of providing assistance to people who need it.

Chairman FORD. I see Utah, I guess the eligibility limit is beyond the poverty level. I have figures before me, $804 per month that a person can earn up to——

Ms. GILMORE. I cannot hear you, Congressman.

Chairman FORD. I am sorry. I was looking at the State of Utah. I have figures before me, $804 per month a person can earn up to before their eligibility would be denied. Do you have those figures, Ms. Gilmore?

Ms. GILMORE. No, I do not. I am sorry.

Chairman FORD. I am using figures for a family of three. You do not have the figures before you.

Ms. GILMORE. No, I do not.

Chairman FORD. I just wanted to make mention of that.

In looking at the States, we have Oklahoma, Tennessee, and Utah before us. Even though Utah is still below the poverty level, it is a lot higher than the State of Tennessee.

Mr. Bailey.

Mr. BAILEY. Thank you, Mr. Chairman.

I do not have any questions. I do want to thank Catherine for making reference to the issue I had raised about Pennsylvania's problem and her extension of that to other States with similar difficulties.

I thank you for that. I have no additional questions, Mr. Chairman.

Chairman FORD. Well, I have one final question.

With the 1983 budget proposals before the Congress now, I do not want to put anybody on the spot, but do you support the proposed recommendations by, I do not want to say the administration, but keeping within the framework of the budget resolution that was adopted by the House as it relates to AFDC, title XX social services?

Ms. PUETT. I think if you will look at my testimony?

Chairman FORD. I missed part of your testimony.

Ms. PUETT. I agreed with some and disagreed with others. Some of the proposals are acceptable. Some are not. I have indicated which is which in my testimony.

Chairman FORD. I will read your testimony thoroughly and go through it, Commissioner. I would just like to hear from the State of Utah and the State of Oklahoma.

Ms. GILMORE. Congressman, we also identified that there are some of the administration's proposals we support. However, generally we believe that this is an attempt to balance the budget in an area which has not shown the kind of growth, and in terms of the total dollars, is relatively small compared to the total size of the deficit.

So we believe it is more a philosophical attitude that the cuts and changes reflect rather than a general attempt to balance the budget. You are talking about title XX, about $2.4 billion. Excuse me. AFDC is less than $8 billion.

Some of the other proposals, there is just not enough money there. So we are talking about making some real changes that we think are harmful and really are not going to save money. I think that is the thrust of our testimony, but represent a philosophical orientation. And as such, they are shortsighted.

Chairman FORD. Mr. Fogarty.

Mr. FOGARTY. Mr. Chairman, with both I think my Oklahoma hat and National Council of State Public Welfare Administrators hat, generally we are opposed to the provisions with a few exceptions which I identified. We believe very strongly that the poor, the needy in this country have already given their—more than their—fair share in this administration's attempts to balance the budget and cure the economic woes of the country.

We think their proposals this year go even far beyond those of last year. They are unreasonable and ill-placed.

Chairman FORD. I would like to thank each member of the panel for testifying before the committee today, and I thank you very much for offering your time and being with us today.

Thank you.

The Chair will recognize Ms. Mary Marshall, member of the executive committee, accompanied by Joy Wilson; also National Association of Counties, Mr. Forrest Campbell, chairman of the human services steering committee and chairman of the Guilford County commissioners in Greensboro, N.C.

The Chair recognizes Ms. Marshall first, and immediately afterwards, Mr. Forrest Campbell. Your staff associates are welcome to be seated next to you if you like.

STATEMENT OF MARY MARSHALL, MEMBER, EXECUTIVE COMMITTEE, NATIONAL CONFERENCE OF STATE LEGISLATURES, AND DELEGATE, VIRGINIA HOUSE OF DELEGATES, ACCOMPANIED BY JOY WILSON, STAFF ASSOCIATE

Ms. MARSHALL. Thank you very much, Mr. Chairman.

I am glad you are going into this in such detail because this is very, very important.

Chairman FORD. Thank you.

Ms. MARSHALL. Very, very, very heartening.

I represent the National Council of State Legislatures and do chair the welfare subcommittee in the Virginia House. One of the first things I want to emphasize is the position that NCSL has taken for some time, that real savings in the budget do not—must be achieved by these economies, not a passthrough of costs to the States and the localities.

And I want you to be aware of the fact that of the 28 States that have met this year and have now adjourned, 22 enacted tax increases. And that was not to start new programs.

NCSL is particularly interested in the payment error sanctions, the combined welfare block grant, the workfare requirement, the low-income energy assistance and restructuring of the child support enforcement program in connection with payment error sanctions.

Virginia has the third lowest error rate in the country after New Mexico and Nevada, either of which has a welfare program as big as that of the city of Richmond. Our rate is 3.4 percent as of September 1981. Our preliminary studies indicate that we have held that down despite the many changes in eligibility rules which came out of the last Congress. But it has required a heroic effort.

There is no possibility we could get that down to a zero rate. We would like to remind you that the Federal Government's rate of error in SSI is 5 percent. And that is a far simpler program than AFDC.

The combined block grant for administrative purposes, we have—as I am sure you know, we favor combined block grants. But this one is capped at a time when administrative costs will be rising, particularly if the Congress changes the rules every year under which the money will be administered.

On mandatory workfare, we spent a good deal of time considering that in Virginia. You may note we are listed as one of the States that enacted workfare legislation. But what we actually enacted was a very expanded employment services legislation, because we have found that job development and employment services are the best way we have of getting people to work.

We did consider a real textbook workfare program and it was put off for study because we have had a year's experimentation in Tazewell County which you will know because it is the trail of the lonesome pine. In that county over a period of a year, the results were not conclusive. Some people dropped off of welfare because they refused to comply with the workfare requirements. But the general welfare roll in the county went up.

The chief problems in getting people to work turned out to be transportation, day care, and matching skills. Many of the people running the program thought it paid off, and others thought it did not. We did not want to enact it until we knew more about it.

We feel that energy assistance should not be counted as income, that it is an important supplement and an energy-saving device, as well as a welfare money-saving device. We want to be able to continue the program without discounting it against income.

The restructuring of the child support enforcement system, because we have one of the model programs in the country and because we are intensifying our effort, the more we collect, the more we lose that way under this new program. And so instead, we would lose a billion and a half under the program we have now; if we intensify our efficiency, as we plan to do, we would lose $2½ million.

So the Federal program would be a disincentive to do what we will probably do anyway, because we think it is the right thing to do.

I brought with me and I will leave with you my welfare director's comments. I do want to bring to the attention of the staff and hope they will pass it on to Mr. Gradison, because he was so interested on the effect of the child support enforcement program on the non-AFDC cases.

The estimate from our director of welfare, and he lays out the reasons for it, is anticipated that the non-AFDC cases will decrease by approximately 600. So that it will actually make it harder to collect that money.

On the matter of counting income of all unrelated adults. Sixty-three percent of our Virginia AFDC caseload contains other individuals who do not receive assistance. Additional time would be required. If the cases were reviewed twice a year, it would take us another 90,000. If you have to do it every month, we have no notion how much it would cost. The information must be secured from other household members, or through the AFDC member. This might require supporting legislation.

I am sure you can see it would be very hard to enact legislation that would require anyone living in a house with an AFDC recipient to supply all the information the State might request.

Prorating of shelter and utility costs, we operate under a flat grant system and so do many States. We do not have a specific amount for shelter and utility. We would be forced to restructure our whole aid program in order to carry out that mandate.

We would not terminate benefits to the parents when the older child becomes 16. We make every effort we can in our public assistance program to see the children finish school, or that they finish a training program, because they are not employable if they do not. And we do not want to continue.

Those are the highlights of my testimony. I will leave them with you and be glad to answer questions.

[The prepared statement follows:]

STATEMENT OF DELEGATE MARY MARSHALL, NATIONAL CONFERENCE OF STATE LEGISLATURES, EXECUTIVE COMMITTEE MEMBER

Mr. Chairman, and distinguished members of the subcommittee, I am Delegate Mary Marshall of Virginia and am speaking on behalf of the National Conference of State Legislatures (NCSL). NCSL is the official representative of the nation's 7,500 state lawmakers and 50 state legislatures. I currently serve on the NCSL Executive Committee and have had the pleasure of serving as chairman of the NCSL Human Resources Committee, where policy on the matters that I will be discussing today are developed.

Today I am here to discuss the difficult task that lies before each of you as members of this subcommittee—deciding how to attain the $435 million in savings in the Aid to Families with Dependent Children [AFDC] and the Child Support Enforcement [CSE] programs. Those of us at the state level were faced with similar tasks during the past legislative session, and we are likely to be faced with the same situation when we reconvene in 1983. Of the 28 states that have met and adjourned this legislative session, 22 enacted tax increases. In addition, Oregon and New Hampshire were forced to go into special session to make the appropriate adjustments to keep their biennial budget in balance. Just last week, Governor Robb of my state required all state agencies to tighten their belts. In our efforts to balance our budgets and to reduce spending, we must not lose sight of our commitment to assist the needy and to maintain the safety net for those who cannot help themselves.

It appears that the Budget Committee Conferees adopted the savings target for AFDC and CSE that was recommended by the Senate Budget Committee. While I realize that you are not bound by the Budget Committee's recommendations, I believe that their approach is reasonable and deserves your consideration.

NCSL believes that the $435 million savings target can be reached using the conferees recommended marks without sacrificing the "safety net" and without shifting program costs to state governments. The NCSL State-Federal Assembly concluded last year that real savings to taxpayers—not just the transfer of costs from one level of government to another—must be the end result of any reduction in state administered federal programs. We believe that the provision of administrative flexibility to the states is one of the most effective methods of producing the real savings to taxpayers and of reducing the growth of both state and federal expenditures.

NCSL is particularly encouraged that the Budget Conferees did not include the following proposals in their recommendations: (1) payment error sanctions; (2) establishment of a Combined Welfare Administration Block Grant; (3) establishment of a Mandatory Workfare Requirement; (4) counting Low Income Energy Assistance Payments as Income; and (5) restructuring of the Child Support Enforcement Program in fiscal year 1983.

NCSL opposes the above proposals and I would like to briefly detail our concern with them.

PAYMENT ERROR SANCTIONS

Quality Control systems are essential management tools that are designed to keep elected officials, program managers and the public informed as to the overall efficiency of a program's operation.

NCSL supports the fundamental goals of quality control, however, we believe that proposals to phase in over a three year period full state responsibility for all payment errors in the AFDC program is unrealistic and merely shifts program costs to state governments. Virginia has a relatively low error rate as we run a very tight program, but it is highly unlikely that even we could reach an error rate of zero. We also find it interesting that the federal government has not set a similar target for itself with respect to the Supplementary Security Income [SSI] program, despite the relative simplicity of the administration of that program. The error rate for the SSI program is approximately 5 percent. Further reductions in payment error rates can and must be made, but NCSL does not believe that this is the appropriate way to reach that goal.

COMBINED WELFARE ADMINISTRATION BLOCK GRANT

NCSL has long supported the consolidation of categorical, non-entitlement programs into block grants to the states with broadly stated objectives. While we do not oppose the concept of the consolidation of administrative funds provided to the states to implement AFDC, Food Stamps and Medicaid, we do oppose the arbitrary capping of the funding at 95 percent of the fiscal year 1982 level. As you well know, many of the proposals to achieve savings in the AFDC program will require additional staff time, additional paperwork and consequently, additional costs. These costs should be shared, not shifted.

MANDATORY WORKFARE

Efforts must be made to assist AFDC recipients find permanent unsubsidized employment in the private sector. NCSL considers this a major priority and one that must be implemented if welfare reform is ever to be successful. We believe that states should have the authority to require recipients that are able to work, to do so in state or locally established work and training, or "workfare" programs. NCSL vehemently opposes efforts to require states to establish such programs.

States are best qualified to determine if the establishment of a workfare program would be cost effective and appropriate for the recipients in the state given available resources. There is little federal assistance available for the supportive services, such as daycare and transportation, that many of us feel are necessary to provide an effective workfare program for AFDC recipients.

Twenty states, including Virginia, adopted workfare legislation during the 1982 legislative session. Eight states considered workfare bills, but did not adopt them. As you know, approximately 20 states indicated interest in the WIN Demonstration workfare program, however, after the Administration requested no funds for the WIN program in fiscal year 1983, many states decided to postpone or cancel plans to go forward with a WIN Demonstration. It was also our understanding that the Administration was not planning to repeal the WIN authorization, thus requiring states to meet all the requirements in the authorizing legislation, but funding the requirements from state revenue or perhaps from the Social Service Block Grant program. We do not believe either option is acceptable. We hope that the WIN program will continue to receive funding and that those states that chose to do so can proceed with their WIN demonstration projects. If however, the WIN program is not funded, we hope that the states would be released from any obligation to continue the program without the funding.

COUNTING ENERGY ASSISTANCE AS INCOME

NCSL is a strong supporter of this program. We have always considered it to be a program which supplements existing sources of income for eligible households. To count either direct payments to eligible recipients or vender payments made on behalf of eligible households as income in programs such as AFDC defeats the purpose of the program. NCSL sees no logic in this kind of proposal, and opposes the counting of local, state or federal energy assistance payments as income in this program.

We are very happy with the Low Income Energy Assistance Block Grant and the flexibility afforded to the states in it. We are particularly pleased that we are now able to fund weatherization activities through the energy assistance program. NCSL has long supported a comprehensive approach to energy assistance to the needy, combining cash assistance and weatherization assistance. We believe that such a program will have a more lasting impact than either program by itself.

It is very encouraging that the Budget Conferees recommended adequate funding for this important program. It is our hope that this funding will be allocated to the states in a timely fashion so that we can provide a cost efficient and effective energy assistance program this year.

RESTRUCTURING THE CHILD SUPPORT ENFORCEMENT PROGRAM

Finally, NCSL is very concerned about the Administration's proposal to restructure the Child Support Enforcement [CSE] program. During the past eighteen months, more state legislation designed to assist in the establishment of paternity and in the collecting of support payments from absent parents was adopted than during the previous three years. State legislators consider this a very important program, one that will in the long run cut overall public assistance costs and assist recipients to gain self sufficiency.

While no formal proposal has been sent to the Congress or put before us for our consideration or comment, conceptual drafts are available. It is clear that federal funding for the program would be drastically reduced and that state costs would skyrocket if states continued to pursue some of the most effective, but more costly methods of determining paternity and collecting payment. The incentive to pursue cooperative arrangements with other states would dwindle, and it is likely that certain states will then become havens for parents seeking to escape their child support responsibilities. We are encouraged that the Budget Conferees did not include savings from a restructuring proposal until fiscal year 1985. We hope that during that time an alternative strategy can be developed that will satisfy all parties involved.

I might also add that the Administration proposal, as I understand it, would require the adoption of state legislation in almost every state. This legislation would require amending the state budgeting procedures to permit the administrative costs of the program to be paid out of collections. Such legislation is not likely to be taken lightly, or frankly, to be adopted in many states. I would urge the committee to hold hearings on this issue and to encourage the Office of Child Support Enforcement to engage in more in dept consultation with state and local elected officials with respect to this initiative.

NCLS does not have policy on most of the proposals that has been recommended by the Budget Conferees as the means to attain the $435 million savings in AFDC and CSE, however, the proposals seem to minimize benefit reductions to individuals and cost shifting to the states. We do have some concerns with three of the proposals that we would like to discuss at this time.

COUNTING INCOME OF ALL UNRELATED ADULTS

While this proposal seems reasonable on its face, we are concerned about the ability of the state to enforce such a provision, and the payment error rates that may increase as a result of both recipient and caseworker confusion with regard to this provision. We would urge that states be provided a maximum level of flexibility in the implementation of this provision to avoid lengthy legal battles and the burden of increasing error rates.

PRORATING SHELTER AND UTILITY COSTS

This proposal also seems reasonable, however, many states currently use a flat grant system of payment for AFDC. The flat grant system has been adopted by many states for administrative ease and to lower payment error rates. We hope that the committee would recommend that if this provision is adopted, that states be permitted to develop a separate payment schedule for AFDC household units that are living with others which can be adapted to the flat grant method of payment. NCSL believes that every effort should be made to simplify administration and to lower payment errors.

TERMINATING BENEFITS TO PARENTS WHEN OLDER CHILD BECOMES SIXTEEN

This proposal seems somewhat arbitrary and on its face does not provide a clear definition of "employable" or make provision for exception or hardship cases. In addition, consideration of the availability of jobs should be taken into account, for while the child may be sixteen, the child is still a dependent and a direct responsibility of the parent. If the removal of the parent from the assistance unit for purposes of AFDC makes the household unable to meet its needs, the dependent child will suffer with the parent, the child with not be immune. We urge you to consider thses concerns during your deliberations on this proposal.

I thank you for providing this opportunity to present our concerns. I will be glad to respond to any questions you may have.

Chairman FORD. Your full testimony has been made a part of the record.

At this time, the Chair recognizes Mr. Campbell.

STATEMENT OF FORREST CAMPBELL, CHAIRMAN, HUMAN SERVICES STEERING COMMITTEE, REPRESENTING NATIONAL ASSOCIATION OF COUNTIES

Mr. CAMPBELL. Thank you very much, Mr. Chairman.

I come today to speak to you on behalf of the counties of America, that service level where we are in the field doing the actual work and seeing the results of the programs that we are here talking about today.

As you are aware, the counties sustained a substantial reduction in Federal dollars in the past year, about 15 percent. It looks like we are in for another round of reductions which are not being picked up by the States.

In my State, the State of North Carolina, the budget was adopted last week in our general assembly. And not any additional dollars were provided in the field of human services to help us at the delivery end of those programs in our State. Those cuts that have been made are continuing to be cut at the State level. And in turn, those of us at the county level must make them, pass them on, because we do not have the resources there to pick up the additional dollars that are being reduced.

I would say to you that as a matter of illustration, the North Carolina General Assembly had for a number of years assisted the counties in our State by appropriating about $3 million a year to assist us in the administration of the programs. That $3 million this year was eliminated. So we do not even have the State dollars that we have traditionally relied on.

In addition to that, they are not picking up anything that would help us. And we do not find any way to consider cutting any other areas because of so-called fat. We just do not feel it is there. It has been trimmed as far as it can.

You might wonder how some of the programs in the country are carrying on in the face of the substantial cuts that were made. I would submit to you that the programs are in fact being reduced. They are in fact being eliminated in some areas. And in others, there is a shifting or an emphasis on one mandated program at the elimination of another program which is voluntary.

We have made I think a substantial effort nationally to try to involve the voluntary sector to a higher degree than it has been already. But there is a limit on the public's responsibilities which can be placed upon the private sector.

For instance, we are having problems in the State of California, where the county of Los Angeles, for example, is joining in with UCLA in a study to determine what the private sector agencies are going to do and how they are going to be able to handle some 1,400 referrals per month on child abuse; since the county staff has been reduced by about 30 percent, and they are only able to handle those cases which are clear in their opinion, and the ones that are questionable are not being able to be handled.

We think those services are crucial, and that further reductions in funds would work a further hardship on those people that are looking for the protection and to whom we feel an obligation to protect.

With respect to the AFDC proposals under consideration, we support retaining the 1982 level of $346 million in the WIN program in order to preserve some capacity for States and counties to carry out the workfare provisions enacted in the reconciliation bill.

We support workfare provisions. We believe it is vital that they be implemented. We do not support making those mandatory. We have seen the interest demonstrated around the country by counties and States that have already expressed an interest in doing something along these lines. We do take serious question whether or not those programs could be carried out if in fact the very sources of funding for work incentives and for job placement and job hunting in the WIN program were eliminated.

My own county 2 years ago put together an application for a workfare demonstration project, at which time the participation was 50 percent from the Federal Government, the balance to be made up at the county level. After examining, and even after submitting that, we found it necessary to withdraw it because we could not afford the 50 percent because it was not cost effective to put the program in place.

Out of 110 work slots that we had identified, it would cost us $110,000 to put them in place, $55,000 of which was county money which we could not afford to put into the program.

NACo also opposes the administration's proposed error rate penalty and looks at that simply as a shift of dollars from the Federal Government to the States and counties which are not in a position to pick it up. We think those are unrealistic, a difficult quality control measure that we are unable to see at all, except as a substantial cost to the States and to the counties.

We support the proposed voluntary quit provision to remove the parent from AFDC if employment or workfare assignment is refused, provided good cause exemptions are used by the State. We also support allowing States the option to require parents of children age 3 to 6 to participate in WIN or work programs, provided adequate child care is available.

I might add also we have found because of the reduction in title XX in my own county, the necessity over the last 2 years to substantially reduce the available slots in child care facilities that we are supporting because we do not have the funds to maintain a higher level.

We support also the redefining of the AFDC unit to include all members of the household to help insure that benefits actually reflect family circumstances. We support the provisions of H.R. 6369 which repeal disincentives to work that were enacted last year.

We do support an income ceiling for AFDC, but believe that the combination of the flat dollar limitation for work-related expenses and the revised earnings disregard, which were also enacted last year, establish a ceiling adequate to eliminate high income families from AFDC.

As a further refinement, we support the proposed disregard of 20 percent of gross earnings, or a flat $175. With regard to that, while we do not have adequate statistics at this time, and they are difficult to determine, we did experience a caseload reduction during the past year. My county, for instance, traditionally has carried a caseload in the family category of 4,500 families. It has been reduced to about 4,100 families because of the earnings limitations, and has been fairly constant over the last 8 to 10 months.

NACO supports additional funds in the Federal budget for expanding unemployment compensation benefits for the additional 13 weeks and to reestablish a State trigger mechanism.

As for the summer work program, we support excluding earnings of AFDC youth in determining family AFDC eligibility as provided in Mr. Rangel's amendment to H.R. 6369.

We urge retention of the current program provisions for the child support enforcement program over the proposed impositions of mandatory user fees and reduced Federal match. A number of counties across the country have contacted us and have brought to our attention the devastating effect these proposals would have on their child-support collection programs.

Camden County, N.J., for instance, tells us they would lose over $1 million, jeopardizing their successful collection efforts for those nonwelfare families that would be affected.

We also support provisions of H.R. 6181 designed to insure a more equitable review process for SSI and social security disability cases. Many persons who are now being terminated from the Federal disability programs, especially people with mental illness, are beginning to turn to local general assistance where that is available, and in some cases, to local nursing homes for care. We are finding that the fact that they cannot continue to receive the assistance while they are on appeal is also a severe blow to local budgets and to local programs.

I could not let the opportunity pass without telling you that we have already gone on record and maintain a position which we now would like to reaffirm. That we believe that income-security programs should be the responsibility of the Federal Government in their provision and in their supervision and in their funding, because the local governments do not have and cannot maintain a tax base sufficient to pick up those programs.

That is the completion of our statement.

Chairman FORD. Thank you very much.

[The prepared statement follows:]

STATEMENT OF FORREST CAMPBELL, NATIONAL ASSOCIATION OF COUNTIES (NACo)[1]

Mr. Chairman, members of the subcommittee, I am Forrest Campbell, Guilford County (N.C.), commissioner, and human resources chairman of the National Association of Counties. I will comment today on the 1983 Federal budget proposals for human services as they affect the reconciliation process ahead of you.

The National Association of Counties supports efforts to achieve a balanced Federal budget, and we have taken a large share of the cuts that were enacted last year; in fact, counties sustained a 15 percent reduction in Federal funding. According to the Congressional Budget Office, some 60 percent of the reductions in grants to States and local governments came from programs targeted toward low-income individuals or those receiving public assistance. It is our judgment that there is no "fat" from which to trim further savings from poor people or the county governments that serve them.

Although NACo continues to endorse the goal of a balanced budget, we do not feel the effort should be directed at further cuts in domestic programs for fiscal 1983. NACo supports a moratorium on Federal budget reductions in domestic programs affecting local and State government. (With respect to the proposed New Federalism turnback/swap, NACo recently affirmed its position that income security programs should be the responsibility of the Federal Government.)

Last year NACo supported a number of changes that established block grants and reduced the cost of welfare and social services programs. Many of these changes are still in the process of implementation, and their effects are being felt at the local level. As county officials administering the social services and welfare programs, we are concerned that the cutbacks are depriving some people deeper into poverty. The removal of work incentives in AFDC, less funding for child care and child abuse services, and high unemployment are placing strains on families and county budgets that local property taxpayers are unable to accommodate. We are not finding that States are making up the lost Federal funds in most cases; and county budgets also cannot make up the funds to continue all the affected services. Although many services are being preserved by juggling funds and program priorities, in many cases the services are just disappearing. Also, counties are making renewed efforts to work with the voluntary sector to assure that critical services are picked up, but it is too early to know whether the local private agencies can absorb the workload. In Los Angeles County, for example, a joint research effort is being developed with UCLA to survey whether the United Way agencies are able to repond to some 1,400 referrals of suspected child abuse that are now screened out of the county agency each month because it can only accept cases of clear child endangering since reducing staff by 30 percent. It is not clear that the voluntary sector has the resources to handle child abuse services either. Further reductions in the child welfare or social services funding can only intensify the uncertainties about child protection and other critical services in the Nation.

It appears that the Federal budget makes no further reductions in these social services programs, and I urge this committee to continue to support full funding for the title XX social services block grant, and for the child welfare, foster care, and adoptions programs. Although NACo does not object to a child welfare block grant in concept, we do oppose capping of foster care maintenance payments and urge that entitlement language be preserved for this program.

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[1] The National Association of Counties is the only national organization representing county government in the United States. Through its membership, urban, suburban and rural counties join together to build effective, responsive country government. The goals of the organization are to: Improve county government; serve as the national spokesman for county government; act as liaison between the Nation's counties and other levels of government; achieve public understanding of the role of counties in the Federal system.

With respect to AFDC proposals under consideration for the reconciliation bill, NACo recommends the following:

NACo supports retaining the 1982 level of $346 million win in order to preserve some capacity for States and counties to carry out the recently enacted workfare provisions of the reconciliation bill. NACo supported these workfare provisions, and we believe it is vital to implement them. Eliminating the WIN funds removes the only source of fiscal incentives available to States and counties for the implementation. We cannot, however, support making workfare programs mandatory. States and counties are sufficiently interested in developing sound work programs, as evidenced by the fact that HHS is granting numerous waivers to States for testing a variety of approaches. The mandatory job search provision contained in the budget will add $150 million in unreimbursed administrative costs to States and counties.

NACo opposes the administration's proposed error rate penalty as simply a shift of costs from the Federal budget on States and counties. The recent changes in welfare administration and Federal and State budget reductions have already resulted in pressures on program operations which make it difficult to ensure quality control. The proposed combined welfare administration block grant, with 5 percent less funding, would only compound the problems. The programs need a chance to stabilize operations, not constant changes.

NACo supports the proposed "voluntary quit" provision to remove the parent from AFDC if employment or workfare assignment is refused (and the parent is in the required-to-work category), provided that good cause exemptions are used by the State. We also support allowing States the option to require parents of children age 3 to 6 to participate in win or work programs, provided that adequate child care is available. Further, we support redefining the AFDC unit to include all (related) members of the household, to help insure that benefits accurately reflect family circumstances.

NACo supports provisions of H.R. 6369 which repeal disincentives to work that were enacted last year. We do support an income ceiling for AFDC, but believe that the combination of a flat dollar limitation on work-related expenses and the revised earnings disregard which were also enacted last year, establish a ceiling adequate to eliminate high income families from AFDC. As a further refinement, we support the proposed disregard of 20 percent of gross earnings, or a flat $175.

NACo supports the additional funds contained in the Federal budget for extending unemployment compensation benefits for an additional 13 weeks; and to re-establish a State trigger mechanism.

For the summer youth program, we support excluding the earnings of AFDC youth in determining family AFDC eligibility, as provided in Mr. Rangel's amendment to H.R. 6369.

NACo urges retention of current program provisions for the child support enforcement program over the proposed imposition of mandatory user fees and reduced Federal matching. A number of counties have indicated that the proposed changes would have a devastating effect on their child support collection programs. Camden County, New Jersey would lose over $1 million, jeopardizing their successful collections effort for non-welfare families.

Finally, NACo supports provisions of H.R. 6181, designed to insure a more adequate review process for SSI and social security disability cases. Many disabled persons terminated from these Federal disability programs, especially mentally ill persons, are beginning to turn to local general assistance and county nursing homes.

Thank you for the opportunity to share the perspective of county officials on the important budget issues affecting county human services programs.

Chairman FORD. Mr. Bailey?

Mr. BAILEY. Thank you, Mr. Chairman.

One very brief question. The gentleman from North Carolina made a comment I assume concerns charitable deductions, or charitable contributions. If I could summarize it I would simply say that with your experience you know that there is just absolutely no conceivable way that the charitable contributions, particularly during a time of high recession, could ever meet the Nation's welfare needs. It is just too much to expect. The potential is not there.

First of all, if I am putting words in your mouth, please take them out. But if I am not, I am very curious to know what you think. The potential is simply not there and it is naive to expect we could raise the money necessary to fill the gap.

Mr. CAMPBELL. We found two things with regard to that. Most United Way agencies and fund drives have each year been raising their contributions in the neighborhood of 5 to 15 percent from donations from their communities. Many of them are finding that is a burdensome thing to try to raise on an annual ongoing percentage increase. They have been hit by inflation like everyone else. They are in the process, and we find this affects us, too, of sorting out in their communities those programs which they think are more important than others.

Mr. BAILEY. They also suffer from the impact of the recession and high unemployment, like everyone else.

Mr. CAMPBELL. Exactly, because they have those clients we could handle otherwise, now fall in their domain. And there are more and more of those as a result of the economic condition. But also, there are going to be more of them as a result of the continued defunding of the human services programs.

Mr. BAILEY. I thank the gentleman.

Mary, you were talking about Virginia's error rate. You compared it I believe to New Mexico and Nevada. I am going to go back to some older figures the staff here has given me that have a Virginia AFDC error rate of 4.7 percent. You compared them with Tennessee and Pennsylvania; Tennessee was 7, Pennsylvania was worse at 8.

How do you explain the difference? Your benefit level is about equal to Pennsylvania's. I am sure you don't have as many people on the program, you are not as large a State. But can you tell me why?

Ms. MARSHALL. I think there are three components on it. I am not an authority on it. But there are three very important things I know. One, when we went to flat grants to recipients instead of calculating their particular expenses, we eliminated an incredible amount of error. We have had extensive training of our intake workers, our eligibility determiners so that they know more about what they are doing.

Training has been very important. But mostly we are heavily computerized, so our information is at once retrievable and is on record permanently. That has just simplified it.

Mr. BAILEY. Could you do me the favor of just doing a brief memo on your system and sending that to me?

Ms. MARSHALL. I would like to ask my welfare director to do that for you. You will be glad to know, he is very brief and can give you a very good run down on it.

Mr. BAILEY. I would appreciate your sharing some of these ideas. I think that is the only way we are going to be able to build public confidence for these programs.

Ms. MARSHALL. I think one thing the administration seems to forget is that we spend money on these programs, too, and we have every incentive to save the dollars. With the history I told you of 22 States having to raise taxes, there is a real incentive.

Mr. BAILEY. I found those remarks on raising taxes you made earlier very informative. What you are really saying, of course, is that the States are moving in to fill up the vacuum. They have to.

The sad part is that they are moving to fill up the vacuum through the use of a tax stucture which is more regressive.

Ms. MARSHALL. Generally that is true.

Mr. BAILEY. In some ways its impact can be counterproductive in terms of what we are trying to accomplish with these programs. You made a very good point.

Ms. MARSHALL. One reason people haven't slipped into nothing is because they are being sustained by State and local dollars.

Mr. BAILEY. I thank you and very much appreciate your appearing before us.

Chairman FORD. Ms. Marshall, let me pick up where Mr. Bailey left off. You mention in your opening statement that 28 State legislatures have met this year. Twenty-two of them have increased State taxes. Are you then attributing those tax increases to the impact of Federal budget cuts?

Ms. MARSHALL. A substantial part of them in most of the States must have been for that reason. I can speak——

Chairman FORD. On what do you base your opinion? I am a former State legislator myself.

Ms. MARSHALL. Partly on the Virginia experience. We are, as you know, a conservative State. We do not launch easily into expensive programs of any kind, and particularly social programs. But a very good part of the tax increases that we enacted were for social purposes and for education. And when our Governor recently had called for an across-the-board cut on all State expenditures because the tax receipts are going down, he exempted welfare because he said they had had all the reductions they could possibly take.

My conversations with, I go to the NCSL meetings four or five times a year. This is the one thing that everybody is talking about. How do we make up the money that was coming from the Federal Government that isn't coming anymore? The rising unemployment is just beginning to get to us. But we all assume——

Chairman FORD. What are the States doing to convey that message to the administration, to the Congress itself?

Ms. MARSHALL. We are doing everything we can. You may know that we have a team that is meeting with the administration discussing New Federalism generally. This is a point they keep making over and over again, that a real reduction doesn't mean that you shift the burden to State and local taxpayers.

Chairman FORD. In other words, you are conveying the message. It is just that the message maybe is not being received by the administration as it relates to some of the Federal budget cuts.

Ms. MARSHALL. Well, we may not be perfect. Very few people are. But the States have been doing their best to pass, and in fact, my State, we sent a delegation up and Senator John Warner said, and it was quoted in the newspapers, following that meeting saying the cuts in the social programs cannot go any further. So they certainly proved to him that we had gone too far.

Chairman FORD. If the Congress adopts the administration's proposed recommendations, as chairperson of a State welfare full committee in the State of Virginia, what do you think the impact will be with regard to AFDC, title XX, social services and SSI? Do you foresee a great impact in your State that would be devastating?

Ms. **Marshall**. Oh, title XX is already having a devastating impact on our State. Our welfare commissioner figures that in constant dollars we have this year to spend on title XX what we had in 1973. With a much bigger State. We are cutting back on existing programs. We had a fine daycare, geriatric daycare program in my county. Title XX was supporting it. Title XX money is gone. The county is supporting it through this fiscal year out of county funds, but it doesn't look like the county will have the money.

That means some dozens of people, maybe 25, 30, will wind up in a nursing home because they can't stay at home all day by themselves. But it was also important for employment. We had many, many welfare recipients working all day as companions keeping people out of nursing homes, doing light housework, taking care of them. They lost their jobs. The people now are just scrambling or are in nursing homes.

Chairman **Ford**. So the 1982 cuts were devastating let alone the 1983 proposed cuts by the administration. Is that correct?

Ms. **Marshall**. Yes. NCSL has said time and again, give us level funding. We cannot absorb, we cannot hit our taxpayers with the costs of more programs. We cannot leave people without things that they have to have. We have repeated this in every meeting we have had with anybody we could talk to. At least give us level funding.

Chairman **Ford**. Thank you very much, Ms. Marshall. And thank you, Mr. Campbell.

The Chair will recognize the last panel, which is the National Association for Retarded Citizens, Dr. Elizabeth Boggs; and the Family Service Association of America, Mr. LeRoy Robinson, Jr., president of the national board.

Dr. Boggs and Mr. Robinson, the committee would like to welcome the two of you before the committee today. The Chair will recognize Dr. Boggs first.

STATEMENTS OF ELIZABETH M. BOGGS, PH. D., ASSOCIATION FOR RETARDED CITIZENS OF THE UNITED STATES

Ms. **Boggs**. Thank you, Mr. Chairman. I want to congratulate the committee on giving the affected members of the public an opportunity, one last opportunity to indicate some of the implications and down-the-road impact of the action that, as Mr. Gradison has pointed out, has been practically completed with respect to the budget process.

Some years ago the Congress established the Office of Technology Assessment, the purpose of which was to forecast as nearly as possible the unintended consequences of new technologies, particularly as they might be adopted or encouraged by the Congress. This piece of legislation—the budget resolution—is incorporating new social and economic technologies without an adequate assessment of the unintended consequences down the road. And it is to that point that I wish to speak.

I think that I have been asked to come here to represent the interests of disabled and elderly people generally, not just the retarded citizens. I am going on 70 myself, and I am fortunate that my present disabilities are slight. But I feel that disabled people, and those who are considered eligible for SSI in particular, are going to suffer quite significant unintended consequences as a result not merely of this particular budget bill you have before you at the moment, but because of the deleterious cumulative effect to which the bill is adding new components and items.

The Congress also at this point has the advantage of testimony that has been given recently to the House Select Committee on Aging and to the Senate Committee on Governmental Affairs. There is an enormous amount of information which was provided to those committees—detailed documentation of some of the things I am going to say. I am not inserting this information again in the record because I want to conserve the funding of the Government Printing Office. But I do hope that the committee will take advantage of that material even before it may be available to the public in the written record of the hearings.

Every civilized country has adopted—in most instances before the United States—some form of public income maintenance program. These systems generally, internationally, are known to have the combination that we have of an entitlement based on participation in the work force, combined with a means tested component for those who for one reason or another are not entitled to earned benefits at least to a subsistance level. Age and disability are characteristic reasons for entitlement in these programs around the world. They recognize that some people become entitled merely because they reach a defined retirement age and are privileged to elect to absent themselves from the work force. At the same time it is also recognized in all these systems that disability arising before the retirement age constitutes an enforced retirement and should be covered under the same general system. I mention that for reasons which I think will become obvious.

It is further important to note (1) that in our system in the United States, the public system is increasingly supplemented by private systems which, for larger employers, almost always incorporate a disability component, (2) that the criteria for retirement on disability in the private sector are almost universally more generous, more liberal than is the case with the SSI and Social Security definition of disability.

In its announcement the committee listed six items in the budget bill as being relevant to the SSI situation. As I mentioned, those cannot be seen in isolation. If you took any one of those items, you could develop a rationale, and the impact of one alone would not be devastating. When you see those six items against the background of what has been going on in the past year and a half, particularly in the last 6 or 8 months, in terms of administrative actions—such as the attempt to get at the IRS information, the punitive approach to the recovery of overpayments, the misleading notification notices, a policy of riding rather roughshod over due process procedures for individuals, the depersonalization that is taking place—one indication of that is the transfer of staff from the job of writing individualized notifications to the process of mass denial of disability beneficiaries—the policy of downplaying vocational factors which are required to be included by law, the general tendency to suspend benefits before the appeals process has been exhausted, and when you add to those the new proposals which were laid out this morning, doing away with the $20-a-month disregard, the extension to a 2-year expected duration and so forth, one is confronted with a cumulative effect of what appears to be a distinct policy to harass disabled people and minimize the effectiveness of the two disability programs, the SSDI and SSI for the disabled.

Now SSI was brought into place just over 8 years ago. It took about 2 years to make the transition, as I think you are aware. Many of us welcomed that change, not only because it established rather clearly the Federal responsibility as was mentioned earlier, but because we had real hopes that uniform criteria nationwide would be fair and more equitable even though we recognized that the actual prevalence of disability is not necessarily uniform nationwide so that there would be the possibility of variations in the actual caseload in different States. But primarily I think most people were pleased with federalization because at that time the Social Security Administration was one of the most admired major components of the Federal Government. It was admired for its competence, for its impartiality, its relative imperviousness to partisan changes and for its integrity. And I think that that hope is now in the process of being dissipated, that that confidence is now in the process of being undermined, because of the way in which the Social Security Administration and its various programs are being used to accomplish other political goals.

In particular, some of us are very concerned about the way in which we see the Social Security Administration attempting to give expression to what I will call the disrespect for disability. As I tried to indicate earlier, disability was perceived, is perceived around the world and in this country as a kind of forced retirement for which the beneficiary is not himself responsible. Yet I receive material, even from members of this body, in newsletters which imply somehow that being on disability—on SSI or SSDI—is somehow less respectable than being on old age assistance or retirement—OSDI. There are implications that the disability program in title II is somehow a welfare program, and is ravaging the pure retirement program that some people think Social Security ought to be.

The impact of the terminations and denials which were referred to earlier by Mr. Campbell was felt first in the social security part of the disability components of the system. But since the definition of disability is the same in SSI and in SSDI, it is fairly clear that this effort is beginning to impact quite heavily on the SSI component as well. I want to speak particularly about the mental illness category which Mr. Campbell also mentioned. One of the pieces of information submitted to the Senate Committee on Governmental Affairs was a communication from the American Psychiatric Association, a several page letter which I strongly recommend to your attention because of the documentation that it gives for the problems that are created in this particular system.

We have a vicious cycle when a person with a psychiatric disorder who has been discharged from a hospital and placed on a maintenance dose of some sort of medication which controls that person's overt symptoms—the acting out behavior—but doesn't necessarily restore his ability to earn a living, when that person is confronted with a notice which comes in the mail. Because of his very condition, he doesn't understand that notice very well. He is trying to stay out of the hospital. He would like to feel that he is an independent person, that he is not ill, if he responds at all, if he understands he has to respond, he tends to minimize his disability. And on the basis of that representation the Social Security Administration says, "nix," and he then loses his basic subsistence. He is still unemployable. He loses his medicaid. He no longer takes his medication. He becomes overtly acting out again. He is rehospitalized. And the net effect more often than not is to shift the shaft of fiscal responsibility for that individual from a partial sharing with the Federal Government back totally to the State and counties and at a higher total cost to the taxpayer.

That is not reflected directly in any budget line, but that is effectively what is happening. It is not a reduction in any block grant. It is a very subtle round about business.

I might mention particularly, also, in that connection something that may not have been brought to your attention. That is that many beneficiaries with mental disabilities, which by definition are quite severe, have representative payees. If the representative payee receives the CDI notice, it will probably be taken care of somewhat more expeditiously and accurately. One defense against this type of denial—occasioned by failure of the impaired person to respond to the notice—would be to increase the number of those with representative payees. I would strongly recommend against that tactic for two reasons. One is that it is hard to find good representative payees, particularly for people who are living in board and care type of arrangements, and often for lack of anybody else, the Social Security Administration uses the sponsor or proprietor or care giver for this purpose. I think you can easily see that that is not particularly desirable.

The other reason is that to maintain the payment directly to the individual, when possible, helps to maintaining that person's self-respect, that person's feeling that he is in charge of some things even if it is only the minimum income to maintain himself. Thus recourse to expansion of the representative payee system would represent a regression from a social point of view.

I have reviewed recently the program operations management system [POMS] guidelines that are relevant to the area of mental disability. I am not a clinician, not a professional in the field, but I know how these things work in practice. If everything that is in that POMS document were to be implemented professionally and appropriately, and as it says it should be, the result would be a reasonable process. What we find is that the practices recommended in that document are in fact being ignored, overlooked, or disregarded in one way or another.

I am sure that in many instances the people at the State level making these determinations and redeterminations really do not wish to deprive individuals of what they should get. What is happening is they are being given enormous numbers of cases to review on a massive basis. They are being given quotas for termination. And it is just not possible to do the individual, face-to-face clinical evaluation that is required by those very regulations under the circumstances. In particular we find situations in which a person has multiple impairments, no one of which alone is enough to disqualify him but which, taken together, should, according to the rules, make him eligible for disability benefits. We are having reported to us such cases in which those combinations of disabilities are not being properly evaluated and put together, as the rules do in fact provide. The disabled people I am referring to are not the people who have sometimes appeared here very effectively before this committee in their wheelchairs with their bright, articulate self-advocacy. They are not the people who speak up for themselves. They are the hidden ones. So it has been hard to document and assess this situation, but we believe it is real. The question is not whether there should be periodic review of eligibility of disabled beneficiaries; of course there should be. The question is whether the review is to be fair, impartial, and in accordance with congressional intent.

Overall, we see a potentially very serious situation. I don't want to be dramatic about this. But a free association came to mind last week which I think is disturbingly valid. As you know, the media, particularly TV, gave quite a bit of attention last week to reviewing Watergate 10 years after. In particular, there was one 2-hour presentation put together by Nancy Dickerson, and shown on several different networks. It put together in quick succession vignettes of that 784 days, almost all of which were taken from file tape, contemporary news tape of that era. The viewer had the opportunity to see in juxtaposition the sequence of events. To me it brought back very clearly the subtle and covert processes by which an agency of Government can be subverted because people who are in it feel that whatever orders they get from on top must be all right, must be justified. Yet those people on top, the people in power, feel that somehow they don't have to abide by the rules, that their ends justify their means. And I have to say that I feel that the Social Security Administration is beginning to be subverted in somewhat that same way.

Chairman FORD. Thank you very much, Dr. Boggs.

Mr. Robinson.

STATEMENT OF LEROY ROBINSON, JR., PRESIDENT OF THE NATIONAL BOARD, FAMILY SERVICE ASSOCIATION OF AMERICA

Mr. ROBINSON. Mr. Chairman, it is a pleasure for me to be here today. I come as the current president of the Family Service Association of America, as a former national board member of the National Urban League, as a representative of the national organization that helped organize the Ad Hoc Coalition on AFDC here in Washington, and as an individual who has invested a good portion of the past 12 years as a volunteer board member of many local community voluntary agencies, including affiliates of the Family Service Association of America, the National Urban League, the Young Men's Christian Association, and the United Way of America. I have also had the pleasure of serving as a city councilman for 4 years for the city of Harrisburg.

Today I am here to talk about families and children—especially those supported by our public welfare system. In the past 2 years, policy decisions have been made by the U.S. Congress at the request of the White House which have largely destroyed this country's safety net for its most vulnerable families. The full impact of these devastating decisions is yet to be comprehended.

In fiscal year 1982 the cuts enacted by the Congress at the administration's request reduced the aid to families with dependent children program budget by $1 billion. When combined with the loss of State matching funds, the program cuts totaled close to $2 billion with approximately 725,000 families affected.

In the first budget resolution which was reported out by the House and Senate conference committee last week, AFDC was cut another $390 million for fiscal year 1983. Cuts in related programs such as food stamps ($800 million) and medicaid ($700 million) total a staggering $1.5 billion on top of drastic program cuts in fiscal year 1982. These cuts represent a major reversal in the social policy of this Nation.

It cannot be said too often that the aid to families with dependent children program is the key support program for vulnerable families. It is the program that was designed 48 years ago as a safety net for our society. Recently, it has become a political football. We need to remember the hard facts about the AFDC program in the midst of all the rhetoric:

Welfare benefits do not make people rich. AFDC payments for a family of four range from $120 in Mississippi to $569 in Oregon.

Despite impressions to the contrary, AFDC does not support employable adults. Only 1 percent of AFDC recipients are adult males—fathers who are incapacitated or unemployed and job hunting. Almost 70 percent of the recipients are children. Nineteen percent are mothers. Of these, 4 out of 10 are caring for very young children; 1 in 10 is handicapped; 3 in 10 are in the labor force or in training; and 2 in 10 are actually available for work. These have all been recorded in the Congressional Record, which you probably very well know.

Very few children grow up on welfare. That is a fact that has really been misused. Each year about one-third of AFDC families leave the program.

Because of the importance of this basic support program for families and 8 million children, the National Board of the Family Service Association of America voted on June 12, 1982 to make the AFDC program a top public policy priority. This action includes a commitment to work to prevent further budget reductions in the AFDC program. Our objective in taking this action is to encourage grassroots leadership on the part of our 262 member agencies located throughout the country in behalf of this key support program for families.

We have also asked that our sister national voluntary organizations join us in this critical cause. Many already have. The National Urban League and the Child Welfare League of America, among others, share our deep national commitment to the viability of a key support program in this Nation for families and children—including the need for an explicit Federal commitment.

The Family Service Association of America's Washington Office on Governmental Affairs has also placed a top priority on this issue and helped to establish—and is now chairing—the ad hoc Coalition on AFDC which includes participation of 30 national organizations. Shortly after the Family Service Association of America undertook this effort in Washington, the National Urban League announced its very important plans to hold local hearings in 16 communities around the Nation. It was hoped that the two efforts—one in Washington and one in key communities around the Nation—would help rally support for the AFDC program and for the families that have become victims of fiscal policies that have no human dimension or concern.

Those 16 hearings made an important contribution and sent a message to Washington and to the Nation. the message was that the impact of the 198 cuts in the AFDC program left many families trapped in the poverty cycle—where survival is maintained via a marginal existence—and that families felt themselves to be abandoned and without recourse.

A mother from Florida who lost her AFDC grant last October expressed her dilemma this way: "Nothing has changed in my house. I still have three children that need to eat and have a roof over their heads. I still work at the same place that I have worked for the last 2 years. I don't work any more hours. I don't make any more an hour than I did when I first became eligible for AFDC. My gross pay is still $77 a week. . . . Would somebody please explain why I am eligible one month and I am not eligible the next month when nothing has changed for me or my kin?"

This and other tragic accounts are contained in the report issued by the National Urban League following the hearings around the country—entitled "Don't Just Stand There and Kill Us"—and I at this point, Mr. Chairman, would like to ask that their report be submitted for the record.

Mr. FORD. Your report will be made a part of the record, Mr. Robinson.

[The report follows:]

'DON'T JUST STAND THERE AND KILL US'

(A People's Report on AFDC)

PREPARED BY
SOCIAL WELFARE CLUSTER
SOCIAL SERVICES AND HUMAN RESOURCES DEPARTMENT
NATIONAL URBAN LEAGUE
MAY, 1982

ACKNOWLEDGMENTS

This report represents a joint effort involving several different units within the National Urban League Movement. We gratefully acknowledge the magnificent cooperation of the Urban League affiliates that expended a great deal of energy and resources in holding the public hearings on which this report is based. Special acknowledgements are also extended to Washington Operations, which played a major role in the formulation of the hearings, and Field Operations whose unstinting cooperation was invaluable in assuring their successful implementation. Finally, a special word of thanks is expressed to the more than 300 witnesses who appeared at the hearings and more than 100 panel members who heard their testimony.

INTRODUCTION

Of all the people-serving programs financed entirely or in part by the federal government, none is more misunderstood or vulnerable to attack than the Aid to Families with Dependent Children Program (AFDC). In the view of much of the public, AFDC is a badly flawed program that rewards women for having children by providing them with ample funds to live a life of ease and comfort. Its recipients are often seen as lazy cheaters whose only goal in life is to continue to receive a government check on the 1st and 15th of every month.

Though this perception is terribly wrong, it creates a climate in which the program is under almost constant criticism and efforts to make life even more difficult and restrictive for its recipients are applauded.

The truth about AFDC is that it is a survival program for poor children. Approximately 7.6 million of the 11.1 million recipients of AFDC, that is roughly 69% of the recipients, are children. Approximately 81% of AFDC families are in households headed by the children's mother or stepmother and approximately 7% live in households headed by the children's grandmother.

The truth about AFDC is that for most recipients it is a temporary measure and not a way of life. Nearly 57% of all AFDC families have been continuously on the rolls for less than 37 months and 28.5% have been receiving assistance for less than 13 months. Almost three-fourths of the families have been continuously receiving assistance for no more than five years.

The truth about AFDC is that no one lives very comfortably on the money that it provides. Actual AFDC payments to families of three with no other income currently range from $96 per month in Mississippi to $571 per month in Alaska. Twenty-six states provide less than $300 per month to such families and only nine states provide more than $400 a month.

The truth about AFDC is that it keeps families together. Without it, since a civilized society such as ours is not prepared to let children starve or go homeless, some other method would have to be found to care for them, probably outside the home and at a much greater cost both in terms of money and the child's well being.

These truths not withstanding, Congress in 1981, acting on the wishes of the Reagan Administration, cut AFDC by $1 billion that when combined with the loss of state matching funds meant an actual decrease in AFDC funds of close to $2 billion. A series of severe restrictions of AFDC recipients was also authorized and the results of these actions affected approximately 725,000 families either through outright termination or a decrease in funds made available to them.

In the Administration's current AFDC budget proposal, now before the Congress, a further cut of $1.1 billion in AFDC funds is being sought by imposing additional restrictions on recipients.

If this second round of changes is approved, the majority of the AFDC families would have their payments reduced -- thousands would no longer be eligible. As cases are closed and payments reduced, needy children will be in danger of being removed from their homes and dumped into foster care, or they will become victims of neglect and deprivation.

The prospect of such a calamity led the National Urban League to hold a series of public hearings on AFDC in 16 locations across the country.* The intent of the hearings was to produce a record of what had occurred to the AFDC program and its recipients since the first cutbacks, so that an informed assessment could be made of what will happen to families on AFDC if the new round of proposed cuts is approved.

Specifically, the NUL posed several basic questions. How have the Fiscal Year 1982 cuts affected previously participating families? What commitments will the states have toward AFDC participants if the federal role is eliminated, as had been proposed by the Administration? What effect has continuing recession and inflation had on AFDC recipients needs?

In holding the hearings, the NUL was continuing its traditional advocacy for equitable treatment of the poor and disadvantaged.

AFDC is of course not the only social service program that the NUL sees as endangered, but it believes that attention should be focused at this time on AFDC because of the general public unawareness of what has already happened, what is being proposed for the future, and the imminence of congressional action.

At the hearings, over 300 witnesses representing a cross-section of AFDC recipients, human service providers, grass-roots organizations and community groups presented eloquent and sobering testimony. For the first time, on an organized basis, a forum was provided for the people most affected by the budget cuts.

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*The hearings were held on March 8, 1982 in Cincinnati, OH; Peoria, IL; Minneapolis, St. Paul, MN; Rochester, NY; Pittsburgh, PA; Springfield, MA; Washington, DC; Memphis, TN; Jacksonville, FL; Sacramento, CA; Denver, CO; New Orleans, LA; Cleveland, OH; Englewood, NJ; and Lansing, MI. The final hearing was held in Portland, OR, in mid-April.

If only one word could be used to describe the nature of the testimony it would be "depressing." Time after time witnesses told of how they were struggling to raise their families and get off welfare by working at low paying jobs, but under the new restrictions they had lost their AFDC grants, pushing them further back into poverty and killing their dreams. A number of them confessed that they saw no sense in working and being cut off from AFDC, when, if they stayed at home and did not work, they would have more money at their disposal.

Mothers still on AFDC told of their ceaseless and soul torturing efforts to make ends meet on their grants, and of the harassment they had to endure in order to keep getting the grant.

Hearing the testimony and engaging in critical dialogue with the witnesses were over 100 panel members representing a cross-section of national, state, local elected officials, service organizations, universities and churches.

That the hearings were as productive as they were, in terms of establishing what the facts about AFDC really are, was due in large measure to the cooperation of a number of national organizations who urged their local units to participate in the hearings. The groups included the National Association of Social Workers, Children's Defense Fund, Child Welfare League of America, National Black Child Development Institute, National Conference of Catholic Churches, National Council of Churches, Family Service Association of America, American Public Welfare Association, American Federation of State, County and Municipal Employees, and AFL-CIO. The Center for the Study of Social Policy and the Center for Social Welfare Policy and Law buttressed the effort by making available the latest AFDC data by individual states.

From the testimony at the hearings the National Urban League has prepared this report which clearly spells out the enormous damage that has already been done to innocent people, most notably children, by the misguided cuts in AFDC. Time and experience have shown that the cuts have unfairly penalized the most vulnerable of our citizens leading to the inescapable conclusion that any further cuts are unthinkable and must be opposed.

There were thousands of words spoken at the hearings but perhaps none went so directly to the basic meaning of the welfare cutbacks than those spoken at the New Orleans hearing by Barbara Major, Director of the Louisiana Hunger Coalition and Louisiana Survival Coalition.

"To sanely solve the problem of AFDC we must see welfare recipients for what they really are - human beings, mostly children. If we continue to disavow the fact that we have cut no budget but simply transferred the money for housing, food, health, and education for the poor to the military, then no solution can be reached, unless our elected officials begin to prioritize life over machinery."

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HISTORY AND PROGRAM DESCRIPTION OF AFDC

Aid to Families with Dependent Children (AFDC) is a federal public assistance program authorized under Title IV-A of the Social Security Act, as amended in 1962. It was originally enacted in 1935 under President Roosevelt "for the purpose of encouraging the care of dependent children in their own homes or in the homes of relatives by enabling each State to furnish financial assistance and rehabilitation and other services, as far as practicable under the conditions in each State, to needy dependent children and the parents or relatives with whom they are living..." Thus AFDC was created to be and continues to be a program for dependent children.

It was originally a very rigid, punitive program for the most destitute non-working families. Government employed caseworkers were known to knock on clients' doors unannounced to see if (a) the parent was at work, or (b) there was a man in the house. Both were grounds for termination of benefits. In later years a more humane, and sensitive approach was developed as more interest was expressed in the welfare of the child.

In the late 1960's a philosophical change occurred. Congress saw work as an opportunity to provide a higher standard for the children and eventually get the family off the welfare roll through self-sufficiency. The Work Incentive Program (WIN) was established to provide training, employment and social services to adult welfare recipients. Since that time, the rules have been regularly liberalized, with increasing opportunities for families to work their way off welfare.

Today, AFDC is the nation's basic welfare program for young children in single-parent families. In fact, four out of five AFDC families are headed by young, single-parent women, many of whose children are below school age. About 70% of those benefiting from AFDC assistance are children who are not capable of securing employment.

Despite impressions to the contrary, AFDC does not support employable adults. Only 1% of AFDC recipients are adult male-fathers who are incapacitated or unemployed and job hunting. 19% are mothers. Of these women, four out of ten are caring for very young children; one in ten is handicapped, three in ten are in the labor force or in training, and two in ten are actually available for work. In this last group, more than half are over 40 or have had no work experience or both.

AFDC costs the nation about $8 billion per year and constitutes only 1% of the budget. In no state can the AFDC benefit level be considered generous. Although Mississippi's $96 per month average payment for a family of three is the lowest in the country, 41 other states set the current standard of need for families, on which AFDC payments are based, well below the official poverty line.

In 1981, when Congress cut AFDC, approximately 725,000 poor families previously receiving AFDC were faced with reduced benefits or elimination from the program entirely. The figure represents 66,000 more families than the Administration had predicted. The effect of the program changes have been felt primarily by the working poor, those whose income from minimum-wage and part-time employment is so low that they still may qualify for a small AFDC benefit and Medicaid eligibility.

Senator Bill Bradley (D.-N.J.), in a letter read into the testimony at the hearing in Englewood, N.J., described the impact of the 1981 cuts in the following manner.

"The Administration's changes in the rules concerning 'earnings disregards' have penalized those AFDC recipients who have sought to increase family income through employment, with the result that many families now face an unhappy choice. They can lose AFDC benefits and Medicaid coverage because their earnings, though marginal, exceed the low limits prevailing in many states, or they can limit their work efforts significantly or quit work altogether to maintain Medicaid benefits."

Despite the compelling evidence as to the harm already inflicted by the cuts, the Administration is now seeking an additional $1.2 billion cut in AFDC by imposing additional restrictions on AFDC recipients. For example, all employable adults applying for AFDC, presumably including single parents with pre-school aged children, would be required to search for jobs and to participate in mandatory community work programs. The only exemption would be for parents with children under three and for those with children aged three to six for whom day care is not available.

The community work assignments are not considered jobs and regular employee status and benefits, other than Workmen's Compensation, would not be provided. The Administration would also abolish the Work Incentive or WIN program, the one program that trains and places AFDC recipients in real jobs.

The Administration would also require states to count Federal low income energy assistance as income in determining AFDC eligibility. Under the proposed changes, states would also be required to pay less than full benefits whenever an AFDC recipient lives in a household with others, and the states would be required to count the income of all adults living in the household who are not related to the children as income to the children.

Minor children who have income of their own, such as social security benefits based on the earnings of a deceased parent, would be forced to contribute their income to meet the needs of their siblings.

Some concept of what the proposed new cuts will mean was given in an article on the Cincinnati hearing that appeared in the Cincinnati Enquirer. The article read in part:

"According to the Hamilton County Welfare Department, 1,500 area households that received ADC last year no longer qualify for relief because of 1981 guidelines from Washington.

"And if the Reagan Administration and Congress choose to saw off another chunk of domestic spending next year, aid to the 16,703 county residents remaining on the rolls may be reduced even further.

"However, rising unemployment -- bringing with it new applicants for ADC -- could mean that Hamilton County will see no major reduction in the number of families on welfare, despite the proposed cuts in funding from the White House.

"Most of the people speaking Monday worry about the months ahead -- a specter of hard times and hunger. They testified that slicing domestic programs even further would punch a tragic hole in the nation's safety net for the jobless.

"'The poor have always been hurt the most," testified Arma Penland, 47, mother of four and a part-time employee of the Community Action Commission.

"'You're made to feel little if you're on welfare: one of those ladies that just lays around and has babies. Well, that's just not so. It's just not so.'"

At one point, the Administration had also proposed the transfer of welfare and food stamps programs to the states in exchange for federal assumption of all Medicaid costs. Though the Administration at first declared that no state would lose any funds in the process, it quickly became evident that they would, and this would mean further cutbacks in welfare related programs and even increases in local taxes to fill the fiscal gap.

Testifying at the hearing in Washington, D.C., Ernestine F. Jones, Executive Director, Income Maintenance Administration, Maryland Department of Human Resources, gave the following forecast of what the proposal would mean.

"Of greater concern than the possible changes in Income Maintenance programs over the next year is the proposal to return the AFDC and Food Stamp programs to state governments. This proposal -- SWAP -- represents a return to the dark ages of social programs when the states carried major responsibility for providing whatever support they could to their needy citizens. We must keep in mind as these proposals are being discussed that the very reason for establishing federal programs was the inability of states to provide consistent and adequate assistance to their poor and disadvantaged populations.

"In today's fiscal climate and in the foreseeable future, the states will not have the fiscal capacity to reassume this enormous responsibility. Although the Administration maintains that SWAP involves no net financial gain or loss to the states, Maryland estimates a loss of more than $20 million in FY '83 alone. Transfer of the Medicaid program to the federal government may even mean loss of essential medical services provided now entirely at state expense, if the state is unable to continue to afford these services while assuming the AFDC and Food Stamp program responsibilities. There are vague hints from the Administration that services provided under Medicaid will be reduced before SWAP takes place. It is not unrealistic to assume that states would have to continue to provide services the federalized program will not, heaping even more of the burden on the states."

In early April it became apparent that given the opposition to the plan by the National Governors Association, which felt that welfare, food stamps and

Medicaid, should all be the responsibility of the federal government, that such a "swap" could not secure Congressional approval and the Administration suspended its efforts to achieve it.

But the suspension does not mean that the Administration has totally abandoned its plan for the "swap" and there is always the possibility that it will be resurrected at a subsequent Congressional session.

Still remaining on the Administration's agenda, however, are its efforts to reduce the number of families on AFDC through the restrictions that have already been described. It is this approach that the National Urban League sees as unwarranted and short-sighted and posing the greatest present danger to the well-being of literally millions of the poor and disadvantaged in America.

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THE EXPERTS ASSESS AFDC CHANGES

Washington, D.C. exists in a rarified atmosphere, so much so that at times there seems to be a wall between it and the rest of the country. Routinely, decisions are made in the commodious offices of the White House and in the cavernous chambers of Congress that alter the lives of Americans. But just as routinely the decisions are based on numbers, and only rarely on how the decisions will affect the individual.

In the instance of the cuts that have already been made in the Aid to Families With Dependent Children Program, and in the additional cuts that have been proposed, much has been made of the money allegedly saved, but very little attention has been given to the human costs involved. It is not that the men and women who hold the reins of power have forsaken their humanity, but more that in their efforts to see the "big picture" the individual is overlooked.

This part of the equation is only to be found in local communities where the pain is felt. Out of the 16 AFDC hearings held by affiliates of the National Urban League, we have made a random selection from several cities of testimony presented by welfare experts on the human impact of the AFDC cuts.

CLEVELAND, OHIO

"These cuts should be viewed against the backdrop of the state's economic condition. The state of Ohio's unemployment rate is considerably higher than the national average and currently stands over 11%. The state which has underfinanced its crucial human services for years now faces even greater fiscal crises. Its income has been slashed by the combined effect of reduced tax revenues and decreases in federal spending. Thus, the state which must balance its budget by the end of each fiscal year faced a deficit of nearly a billion dollars over the next 16 months despite the passage of a 1% increase in the sales tax -- a regressive taxing measure. The governor has ordered across the board cuts which will, by the end of the fiscal year effectively total slightly over 10% of all state spending.

"I would like to make one point clear: major human services programs were not adequate prior to the cuts. For example, Ohio's monthly AFDC grant totals $263 for a family of three which is far short of the state's standard of decency set in 1975.

"Under the new federal regulations designed to reduce costs in the AFDC program, Ohio has completed a review of 96% of its cases state-wide. As a result of the review, 30,136 cases or 15% of the total are being terminated while the benefits of 6% or 12,388 cases are being reduced. The 30,000 cases terminated represent around 90,000 people in this state -- many whose marginal existence will be destroyed. Moreover, for many of these families the termination means the end of their Medicaid eligibility -- which is the only source of health care insurance for their children. When the ability of these families to support their children is diminished, many of their children will become clients of the child welfare system because of parental "neglect". This development is counterproductive to the children, their families, and the taxpayer."

Jan Murray
Deputy Director and Staff Counsel
Institute for Child Advocacy
Cleveland, Ohio

SPRINGFIELD, MASSACHUSETTS

"It is these working welfare mothers who took the full brunt of the Reagan administration's AFDC cuts last summer. Benefit reductions for AFDC families represents a $775 million cut nationally in fiscal year 1982. By the end of the year, 26,000 working welfare mothers will have been removed from AFDC in Massachusetts and another 12,000 will have their benefits significantly reduced. Under the new standards, a woman with one child and an average yearly gross income of $4500.00 is ineligible for assistance. Before the fiscal 1982 cuts, working welfare women were assured that their low wages would be supplemented with enough of an AFDC payment to insure a level of income slightly below subsistence. The Reagan administration's 1982 cuts not only glaringly point out the inequities in pay and access to employment that exist for women, but they have driven many single, working mother's income to a meager, almost cruel level."

Western Massachusetts Legal Services

LANSING, MICHIGAN

"Decisions by the President and Congress last summer served an almost fatal blow to residents statewide who were barely making it before the cutbacks. Those suffering the worst effects were persons working in marginal jobs for low wages, who attempted to stay alive with an AFDC cash supplement or food stamps. The impact was strongest outstate(the state of Michigan with the eight most populous counties removed) where wages have traditionally been low and the working AFDC caseload higher than in the state's urban areas.

"Closure of roughly 7,000 AFDC cases last fall due to the new restrictive federal policies reduced caseloads in all but 19 counties. Of the estimated 18,000 persons terminated, 77% live outstate. A comparison of total state caseloads in the last quarter of 1981 against the last quarter of 1980 showed a reduction of only 1.8% statewide, but outstate caseloads were down by 5.2% counties like Allegan, Barry, Cass, Gratiot, Iosco, Isabella, Kent, Midland, Ottawa, St. Joseph and Van Buren showed caseload reductions of more than 8% -- which represents tens of hundreds of families now barely subsisting in the rural areas of the state."

Michigan Legal Services

PITTSBURGH, PENNSYLVANIA

"As of January 1, 70,000 people in 25,000 families in Allegheny County were receiving full or partial support under the AFDC program. Of these 70,000 individuals, 47,000 (or roughly two-thirds) are children, the vast majority of them under the age of 15. Contrary to the popular myth that this is a program which is rapidly growing out of control, the numbers have remained relatively constant over recent years and they decreased--in part because of the 1981 cuts--by nearly 2,000 families and 6,000 individuals over the last year.

"And, contrary to another commonly held myth, these are not people who are simply too lazy to find work, who are content to spend a lifetime on welfare. Sixty percent of AFDC recipients nationally have received benefits for three years or less; 75% have been on AFDC for five years or less. Each year about one-third of all AFDC recipients leave the program and are replaced by other children and families.

"And remember that two-thirds of the recipients are children who are too young to work."

Urban League of Pittsburgh

MEMPHIS, TENNESSEE

"Prior to the Omnibus Reconciliation Act of 1981, approximately 15% of Tennessee's AFDC families were working at any one time; but they still required assistance because their earnings were so low. These very families have borne the main brunt of the AFDC benefit reductions.

"It is imperative to view AFDC as an integral part of the Tennessee economic system. It supported about 68,000 families, including over 122,000 children prior to October 1st, 1981 to the tune of a budgeted amount for F.Y. 1982 of $88 million. Due to federal intervention and new restrictions, Tennessee's program is now limited to about 55,000 families and 100,000 children for an annualized cost of about $75 million.

"Because of new federal requirements, Tennessee's program to assist a mother and three children cannot help them (even minimally) if they earn as much as $325.50 per month. This is not even equal to minimum wage for a 40 hour work week. Nor can any consideration be given to work related expenses, child care cost, or other costs as may be necessary for survival — those who exceed the $325.50 per month can no longer be considered as eligible for AFDC."

Tennessee Conference on Social Welfare

THE PEOPLE ASSESS AFDC CHANGES

After several months of living with a reduction in their incomes as the result of the adoption of the Administration's AFDC proposals in 1981, thousands of families across the country have had the opportunity to assess for themselves what the cuts mean in terms of their own lives. While the National Urban League's AFDC hearings could only hear testimony from a limited number of program recipients, it is not amiss to describe their experiences as typical, and indicative of what countless other program recipients are going through in every section of America.

In listening to the testimony, it was often difficult to believe that people were being subjected to such hardships, much of it nonsensical, in a country such as ours. Time after time recipients told how their efforts to get off welfare by working were thwarted when their AFDC payments were slashed to the extent that they would end up with more money if they stopped working altogether.

Other working mothers with children requiring constant medical care told how the fact that they earned a few dollars over the allowable limit made them ineligible for Medicaid, thus depriving their children of medical care. The statement of one distraught mother sums up the dilemma that many of them face: "Can't afford to get sick and can't afford to die."

Most damaging to the working poor has been the requirement that if a family has a gross income of more than 150% of the state's "standard of need" it is no longer eligible for participation in the AFDC program. No provision is made for taking into account the actual expenses, including work-related and child care expenses that families have. If the "standard of need" provided anything more than a basic survival level for people, that would be one thing. However, the "standard of need" is set by the individual state and very often is set at the lowest possible level, completely divorced from reality.

The heads of AFDC households are also penalized by the new requirements for work incentive allowances. Under prior law, a welfare recipient was encouraged to work by disregarding, for purpose of determining AFDC eligibility, the first $30 plus one-third of the earned income. Under the new law, such allowances are granted for only four months.

Appearing below is a sampling of the testimony offered at the hearings.

ROCHESTER, NEW YORK

"My name is Connie Sanderson and I am speaking on behalf of the Monroe Coalition for Welfare Justice, Inc.

"The budget cuts enacted so far have hurt those AFDC heads of households who work, four-fifths of whom are women.

"I would like to take a minute to tell you a few examples. A working mother whose gross earnings per month are $770 and has three children received $178 in cash and $53 in food stamps bringing her monthly income to $1,000 before the 150% cap. With the new budgeting she receives no cash assistance and $86 in food stamps, a net loss of $114 per month. This woman must now pay her rent, child care, work expenses, buy food and clothing and pay utilities on a gross income of $856.

"About 300 cases in Monroe County were affected by the cap. Some of these women were forced back on the public assistance rolls, others have continued to work, but are leaving their children alone after school or have child care that is cheaper but not as reliable or of as good quality. They have to choose between heating and eating.

"A working mother with three children whose gross earnings are $650 per month previously received $146.45 cash assistance and $104 in food stamps.

At the end of four months when the 30 1/3 disregard ends she will receive no cash assistance and $133 in food stamps, a net loss to her of $117.45 per month. She must meet all of the needs of her family on a gross income of $767.45. There are many more families in Monroe County who will be hurt by this."

DENVER, COLORADO

"On a local level, the horror stories are beginning to appear. In Colorado Springs, Colorado, one 27-year-old mother with four children ages 11, 9, 6 and 1 had her benefits cut from $450 a month to $24 a month. The reason being that she has been overpaid and that she must now pay back the overpaid amount. This mother has no training and cannot find a job. How is she to survive on $24 a month with no food stamps, no Medicaid, no job, and four small children to support?

"Another atrocity is the 33-year-old mother of two elementary school age children who was just informed that her assets of a used car purchased at $500 and her life insurance policy were considered as income and that her $313 per month AFDC benefits, her $70 per month food stamps and her medical assistance benefits were being terminated. She was informed that she could cash in her insurance policy and sell the car at the blue book price of $1,500 and use this money to support her family.

"No one took into consideration that this mother, attempting to work a part-time job as a nurse's aide in various homes under the WIN program, needs a car because there is no public transportation available at night or in some of the locations where she is called to work. No one apparently considers that the used car is not paid for; and even that if it were, she could not receive $1,500 for it."

—Jacqueline Shepherd, Director
Urban League Child Care Center

MINNEAPOLIS-ST. PAUL, MINNESOTA

Ms. W., with one child, was cut from AFDC on February 1, 1982 because of her employment income of $4.25 per hour which put her above the $150% need standard cutoff. This income is required to meet her household obligations, which includes rent, utilities, day-care, groceries, and gas for her car. She noted while her "beat-up" car might be considered a luxury item, using the bus for transportation to her job would require two hours extra day-care costs per day, and rob her of two hours of precious time she has left to spend with her child.

She grossed $380 for her last 2-week check. Of that she [redacted] $127 in taxes and paid $235 for rent, leaving $30 to meet all of her other obligations which will have to go unpaid. Since losing medical benefits, she has assumed payments of $67 per month for her child's medical insurance through her employer. Because her child has a heart condition and ear problems, maintaining this has been absolutely necessary. Her rent has increased by $75.

She said her best alternative is to quit work so she could come out financially ahead. But she does not believe that this would help her to make any advance for herself and her child.

LANSING, MICHIGAN

"I am a single parent with two children ages 10 and 3 whose means of support at this time is AFDC. At present I am attending Lansing Community College, in an effort to learn a marketable job skill. Any budget cuts would drastically affect both my children's current welfare and their future financial stability, in that budget cuts could force me to leave school, and seek employment that I am neither qualified or trained for.

"I would like to state further that I was recently employed at a rehabilitation facility, and was laid off due to severe state and federal budget cuts earmarked for the mental health field. So you see, further cuts in the Aid to Dependent Children would hamper, if not destroy completely my children's chance, through me, to have a financially stable future.

"Devastation, is not an overstatement, as to how these proposed cuts will affect my children, myself, and our future, as productive citizens in this community."

JACKSONVILLE, FLORIDA

"I have three children, ages 15, 14, and 12. I had been receiving AFDC benefits, but lost those benefits in October, 1981 because HRS (the welfare agency) said that I made too much money. That the income I had was over 150% of their standard of need so I could no longer get any benefits for myself and my children. I don't understand this. I don't understand why in October of 1981, I was eligible for benefits.

"Nothing has changed in my house. I still have three children that need to eat and have a roof over their heads. I still work. I still work at the same place that I've worked for the last two years. I don't work any more hours. I don't make any more an hour than I did when I first became eligible for AFDC. My gross pay is still $77 a week.

"HRS has never really explained to me why I'm not eligible for benefits anymore. The case worker never told me. I received a notice, but it just said that I made too much money. Would somebody please explain why I'm eligible one month and I'm not eligible the next month when nothing has changed for me or my kids?"

SACRAMENTO, CALIFORNIA

A secretary, mother of two (12 and 15 Years old), will not be able to keep working because, if she does, under the new law she will lose her grant. As a result of the "150% rule", she will be cut off from any AFDC subsidy. Her fixed expenses and work-related expenses will leave her only $1 (sic) per month to feed her family. She also will lose her Medi-Cal (Medicaid) coverage and, under the state's Medically Needy program, will have to pay a share of cost. She has been seeing a chiropractor regularly for seven vertebrae which are out of place. She cannot afford medical insurance.

Financial breakdown:

Fixed expenses		
Rent	$405	
Utilities	$30	$435
Work expenses		
Child care	$90	
Car payment	$135	
Car insurance	$39	
Gas	$60	$324
Total expenses		$759
Net take-home pay		$760
Left for food, etc.		$1

Clearly, $1 is not enough to feed her family for a month. She will have to go back onto full welfare. Then she will receive $506 plus $93 in food stamps, for a total income of $599. After deducting the $435 in fixed expenses, she still will have $164 for food and other family costs, and will be covered under Medi-Cal. Before the 150% cut-off went into effect, she was receiving only $332 (and no food stamps) as a supplement to her salary. The supplement enabled her to keep working with the prospect ultimately of getting off AFDC entirely.

CONCLUSION

The AFDC hearings conducted by the National Urban League produced overwhelming evidence that the program restrictions initiated by the Reagan Administration and approved by Congress in 1981 have in fact resulted in a substantial reduction in the number of families receiving AFDC. At the same time, a sizeable number of the families dropped from the AFDC rolls have found themselves in a Catch 22 situation in which they are being penalized for making an effort to escape from the bondage of welfare by working. One is reminded of a familiar phrase--dammed if you do, and dammed if you don't.

There are basically two types of families who receive AFDC. The first is a family in which the head of the household, usually a female, does not work and remains at home collecting full benefits, whatever they may be. The second is a family in which the head of the household, once again usually female, works but does not earn enough money to support the family and is thus eligible for some AFDC funds.

The 1981 restrictions struck hardest at this latter group, which obviously did not meet the criteria for the "truly needy" which the Administration had promised to protect by providing a "safety net". What the new restrictions did was to establish a fresh set of rules that have radically worsened the lives of hundreds of thousands of people, adults and children alike.

These rule changes have left the heads of many AFDC households confused. Instead of gaining something from the ambition they have displayed by working, they are penalized. It's little wonder than that an AFDC mother of three children, whose grant had been terminated because she is working would tell the hearing in Jacksonville, Fla:

"The message I'm getting from my country and my state is that they don't care whether my family survives. They don't care whether we have enough to eat or a roof over our heads. And if I don't feed my family properly, provide enough clothes for the children to wear and a roof over their heads, then the State says that I'm neglecting my children and the state will say I have to do better or they will take my children away from me. How can I do better?"

Another AFDC mother in Peoria might have been addressing her plaintive words to the decision makers in Washington who approved the changes, and even now are contemplating more. She said:

"We're already poor. We're already starving. Don't just stand there and kill us."

A universal thread that the National Urban League found running throughout the hearings was a sense of people beating their heads against a brick wall. They were trying to get ahead, but it appeared, at least in their eyesight, that the "system" was determined to keep them scratching for crumbs. Understandably, they were frustrated, confused, and in many instances, bitter.

And this included not only the AFDC recipients who had lost their benefits because they were working, but non-working AFDC recipients as well who found that with their grants they were able to buy less and less of life's necessities because of inflation. The truth is that AFDC payments do not keep up with inflation.

The hearings also made it clear that simply because there has been no concerted cry of protest from the poor, this should not be interpreted as meaning that they have meekly accepted the cuts in the budget for domestic human-services programs. Their voices have not been heard in Washington because they are not organized and it is only now that coalitions of concerned individuals and groups are coming together to fight their battle.

Part of the reason for this state of affairs lies in the unawareness within local communities of what sacrifices are being demanded of the poor. The hearings, which in every instance received wide media coverage, helped to erase some of this unawareness and arouse community interest in the problem.

The fact that the National Urban League was able to bring together so many different people on the issue of AFDC indicates that as the impact of the budget cuts on people becomes clearer across the country, the voice of those who advocate on behalf of the poor will be heard.

For many of the people who testified at the hearings, their mere presence was an act of courage. Having gone through the welfare system, they knew the additional harrassment they could suffer through making public statements, but they wanted their stories told.

It is important to recognize that the welfare worker usually has the last word and life can be made most difficult for a welfare recipient. Not untypical was the case of a mother from Jacksonville, Fla., who recounted the following:

"I live in Jacksonville with my 3 children whose ages are 12, 11 and 4. I lost my AFDC benefits in December of 1981. I had gone in to have my eligibility redetermined and was asked by my case worker to bring in:

- social security cards for me and each of my children,
- rent receipts
- birth certificates

- electricity bills
- water bills
- statements from people helping me
- the deed to my house
- life insurance
- proof of car ownership and other information about my car
- proof of income

"I brought all these things into the case worker except a statement from a friend who was helping me with my house note. I had run into some difficulties and was behind in my mortgage payment, and a friend had loaned me money to catch up on the payments. I wasn't able to get this verification to the worker on the day the worker told me I had to have it in, so my grant was cancelled.

"I did take the letter in to the case worker, but he refused to reopen the case, and told me there was nothing I could do but to re-apply. I did re-apply in the same month, and again I had to wait and have an appointment and I had to bring in:

- social security cards for me and each of my three children
- rent receipts
- birth certificates
- electricity bills
- water bills
- statements from people helping me
- the deed to my house
- life insurance
- proof of car ownership and other information about my car
- proof of income

"This time I brought in all of the things the worker asked me for, but the worker wouldn't certify me anyway. He said they didn't believe what I was saying and found that I was ineligible for benefits. What I had been telling them was exactly the same, that I was receiving some help because of my house, but they wouldn't believe me.

"This time I was really angry and when I received the notice telling me that I was not eligible for benefits, I contacted the worker's supervisor who told me that since the application had been denied, there was nothing I could do but re-apply again. I re-applied. By this time it's February and I had to wait for an appointment. This time I got a different worker, but I still had to bring in everything that I brought in twice before in January. I believe that I am now eligible for benefits based on what the last worker told me, but as yet I still have not received a check, and I've been told that I will not receive a check for February. The check I will receive will be only for March. I lost my AFDC benefits for the month of February, and why I lost them I'm really not quite sure."

In examining the impact of the 1981 AFDC cuts, the National Urban League's hearings established an irrefutable record of the damage that had already been done to America's poor. Such a record has to be considered as new cuts are being contemplated.

We therefore pose a question to Congress and the Administration. If the 1981 cuts have caused such hardships, is it not logical to assume that even further cuts will cause more hardship?

The Center for the Study of Social Policy has addressed this latter point and included among its major findings are the following:

. Families that cannot work face significant income loses, under the proposed FY 1983 changes in AFDC and food stamps. The proposed reductions in AFDC and food stamps would reduce the average income of non-working AFDC families from $450 a month to $423 a month, or from 76% to 72% of the poverty line.

. Before last year's changes, those AFDC mothers who worked (and earned average wages for working AFDC mothers) were able to raise their disposable incomes to the poverty level in 29 states. After last year's cuts, average AFDC working mothers were pushed below the poverty line in every state. Under the new proposals, they would be dropped to 85% of the poverty line or below in every state.

. Incomes for working AFDC families would be reduced so much that parents who work would generally be little better off--or worse off-than AFDC mothers who do not work.

. The new proposals would also discourage those who are working from working harder and increasing their earnings. For most AFDC working mothers, each additional dollar they earn after the first four months in the job will result in a net income gain of only one cent. Ninety-nine cents would be "taxed away" through reductions in AFDC and food stamp benefits and increases in Social Security and payroll taxes.

. Because of the work disincentive impacts of the new proposals, they would not achieve the savings predicted by the Administration. Each time a mother leaves a job or fails to accept a job because of the built-in disincentives, there is a substantial increase in the federal government's costs. Federal AFDC and food stamp benefits are far higher for a family that does not work and has no other income than for a family that has some earnings, and therefore qualifies for smaller welfare and food stamp benefits. When the work disincentives in the AFDC/food stamp/Medicaid system become too great and fewer persons work, much of the savings the Congress thought it was achieving disappear, and Federal costs actually increase rather than decrease.

Since 1975, the National Urban League has advocated the replacement of the present welfare system with a national income maintenance program that would assure every American a liveable minimum income. This would be accomplished through a universal refundable credit income tax that in its application would provide a basic annual grant or tax credit to all. What it would do is to provide a basic level of income maintenance in a manner that is far more efficient, more equitable, less demeaning and less damaging to the family stability and work incentives of those with low income than the present system.

The NUL recognizes, however, that at this point in time such a proposal would not be enacted by Congress, and therefore, it must deal with the welfare situation as it is now and wait for a more propitious time to actively push for the total reform of the welfare system.

Its attention is thus directed toward assuring that the present welfare system works on behalf of, and not against poor people.

Key to this is informing Congress and the American people, as this report does, of the results of the 1981 cuts. The record is most disturbing and it should cause all of us to pause and ask whether we really want to go any further. Indeed, not only should there not be any additional cuts, but the evidence warrants serious Congressional attention to rolling back those cuts already enacted.

When the 1981 cuts were approved, there was no strong public outcry. The voices of those on Capitol Hill that usually spoke out for the poor were either missing, muted or silent. No real coalition developed to speak for the poor.

This, we believe is changing. The groups that came together to support the NUL hearings raise the hope that local coalitions can be maintained over a period of time to beat back the assaults against the poor. We believe that the American people are not lacking in compassion, and once they know how unfairly the poor have been penalized, they will cry enough.

The NUL hearings produced a massive amount of information and this report represents only a small portion of it. Within the weeks to come, the NUL and other cooperating groups will be looking at the data in more detail with the intent of adding to the public knowledge of AFDC.

Meanwhile, it is important that the public understand that while the 1981 AFDC cuts were portrayed as money saving actions, their human costs have been tragic. One final statistic will attest to this.

Mississippi has the lowest AFDC payments of any state. Because of the Federal budget cuts that took effect last October, 22,000 children, or 17% of the 128,000 who had been receiving AFDC, were dropped from the welfare rolls.

Where are the children now?

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Mr. Robinson. Thank you. I would like to speak to the larger question of Federal responsibility at a time when the national economy and the role played by AFDC become intertwined. AFDC is the program in this country that provides not only the single parent mother with a means of survival but also the workers, who have exhausted their benefits, with a source of income. Our agency in Detroit relates a story of grief and despair that is almost beyond belief: of angry middle class families—including children—standing in soup lines. Of men in tie and jackets, waiting in welfare lines, stunned to find themselves among those for whom society no longer has a job. Of the deep anger of persons who have been self-sufficient all their lives and who approach welfare workers in a State of hostility.

This same State, Michigan, asks these same families trapped in economic collapse to submit to an asset test. If they own a second car, it must be sold before eligibility for AFDC can be considered. So even the ultimate humiliation is preceded for these families by having to be devoid of assets that have been part of their lives in a normal world. And the data show that asset tests exist in almost every State. Here, once again, families are victims of the collision of public policies and a sick economy.

On the topic of economy, this is a national economy. I come from the State of Pennsylvania. It is not a Pennsylvania economy. The things that happen in our State and other States affect the country. So when we think of a Federal responsibility to programs like AFDC, the Federal Government does have and must continue to have a direct responsibility.

We have another different story, Mr. Chairman, if you would from Oklahoma City. Now as we all know, Oklahoma is perceived to be a wealthy State. Our Family Service agency in Oklahoma City is reporting that many families took the President's recommendation and "voted with their feet" by moving to a State that offered jobs and opportunities. Only these families are finding out that the jobs don't exist. After living in their cars with their families for a period of time, these families have gone to our local agency and asked that their children be placed in temporary care or that they be found emergency shelter. This is another of those stories about what is happening across our Nation that cannot be ignored.

Let us look a little further at the way the AFDC cuts in combination with cuts in title XX and a freeze on funds for child welfare services come together.

Public Law 96-272, the Child Welfare Law, which originated in this subcommittee many years ago, is a profoundly pro-family law. This law was designed to help vulnerable families, many of them on AFDC, in situations where children were at risk of being placed in foster care. This law, which took many years of work before being passed by Congress, provides critical support to families to prevent children from being placed in foster care.

Unfortunately, a freeze was placed on the funding for this program last year which prevented funds from flowing for this critical function. More recently the Reagan administration has drafted a proposal to repeal this hard won law and to block grant funds to the States. This is a disastrous policy decision from the perspective of families with children at risk—it is an abandonment of a commitment to children and families and will further tax the already reduced supports which are provided by AFDC and title XX.

I also want to say a few words about title XX. Title XX, like AFDC, was never a perfect program. It could have used some strengthening in behalf of family supports. But it is incredible that it too has been slashed in funding, with more threatened. Title XX acts as another prop with the child welfare and AFDC programs—the three supports provide a safety net for children and families.

The administration's fiscal year 1982 budget cuts in title XX child protective services are compounded by cuts in title IV-B child welfare services both of which serve many families in the AFDC population. These services are designed to prevent the dissolution of families and the removal of children from their homes into more costly institutions. These interlocking pieces of the safety net for families comprise in many ways all that this Nation has as a basic family support system.

We lack in this Nation any explicit Federal commitment to the well-being of families. We have lacked adequate congressional structures to address families and the impact of public policies and changes in public policies. Soon we are going to lack any programs. Title XX has already been returned to the States as a pure block grant with virtually no Federal regulations or accountability. AFDC is a part of the Reagan administration's "swap" proposal.

And Public Law 96-272 has been drafted into a block grant proposal soon to come before the Congress. Let there be no doubt about it: This represents abdication of Federal responsibility for needy families at a time when the national economy and that of the States are in no way able to offer these families anything but desperation. No nation and no governmental system governing a nation of 231 million people can afford the luxury of ignoring the well-being of its families.

We urge the Congress to stop this abandonment of responsibility for the families and children of this Nation. We ask that legislators fulfill their responsibility to represent the interests of all families in their communities—those which are poor as well as those which are wealthy. We ask that this Nation not abandon its history of compassion and social justice. Children and families are still our most precious resource.

Thank you.

Chairman FORD. Thank you very much, Mr. Robinson and Dr. Boggs, for the testimony which the two of you have given the subcommittee today. You know, we in fact are going to be faced with a real tough job in light of the subcommittee's responsibility to make budget recommendations to the full Ways and Means Committee.

As chairperson of the subcommittee, I personally have some severe problems with some of the administration's proposed cuts. That places me, as chairperson of the committee, in a situation that I really don't like to be in.

But I think the testimony the two of you have given has strengthened the subcommittee chairperson's views regarding the proposed cuts. I would hope my colleagues on the committee, as well as the rest in the Congress, will in fact accept that responsibility that you talked about, Mr. Robinson, move forward and try to report out legislation that will not shift the burden of reducing the Federal budget directly onto the families and the children of this country. I don't think we should shift that responsibility nor that burden to the children and the families of this country.

If we look at the strength of this country, we can look at the family. If we look at the future of this Nation, we can look at the children of this Nation. Therefore, we should in fact be very careful as it relates to those programs that we are going to cut.

We all can see and witness the impact of last year's budget cuts upon the children, the elderly, the disabled, and disadvantaged of this country. Last year's cuts have hurt these groups in our society.

I have no questions but once again I would like to thank the two of you for your input and for your testimony before the committee today. I have not set a date yet in the future for a markup session to look at the legislation, but hopefully that will take place immediately after the Congress returns from the Fourth of July recess. If so, we will be issuing a notice.

At this time the subcommittee will stand adjourned until such time as the call of the Chair. Thank you very much.

[Whereupon, at 1:50 p.m., the hearing was adjourned, to reconvene subject to the call of the Chair.]

[The following was submitted for the record:]

STATE OF CALIFORNIA—HEALTH AND WELFARE AGENCY

DEPARTMENT OF SOCIAL SERVICES
744 P Street, Sacramento, Ca 95814
(916) 454-2016

July 2, 1982

Mr. John J. Salmon, Chief Counsel
Committee on Ways and Means
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Salmon:

COMMENTS RE: CHANGES AFFECTING SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION PROGRAMS ASSUMED IN THE HOUSE AND SENATE PASSED FISCAL YEAR 1983 BUDGET RESOLUTIONS.

We appreciate this opportunity to present our comments on the changes in programs under the jurisdiction of this subcommittee. Several of the reform proposals introduced during this session are firmly supported by California. However, we have serious concerns regarding the proposals to provide an unemployed parent with benefits only if parent participates in workfare (Item 1), reduce federal matching for AFDC payment errors (Item 7), combine welfare administrative funds (Item 8), and restructure of the Child Support Program (Item 13). The following details our comments and concerns regarding specific proposed changes affecting Public Assistance programs:

Item 1: Provide unemployed parent with benefits only if parent participates in workfare.

We oppose this provision. It has not been determined that there is any cost benefit from mandatory CWEP/Workfare programs. California previously conducted a three-year CWEP operation (1972-1974). Evaluations conducted after the completion of this project concluded that it provided no benefits in terms of reducing the AFDC caseload or moving AFDC recipients into unsubsidized employment. The evaluation completed by California's Employment Development Department concluded that there was no significant difference in the number of AFDC cases discontinued because of employment in the CWEP and non-CWEP counties. The report also concluded that the operation of CWEP in California "did not prove to be administratively feasible and practical." We therefore recommend that the current federal law which make such programs optional to the states should be continued and that CWEP be thoroughly tested before any mandatory programs are established.

Item 2: Assure that resources of family members in military service are counted in determining AFDC eligibility and benefits.

We support this provision. It enhances the ability of states to assure that parents financially support their children.

Item 3: Require mandatory job search for all AFDC applicants.

We support this provision provided that states be allowed flexibility in setting standards and for allowing appropriate exemptions. The states should be able to set standards consistent with statewide and/or regional economic conditions. The job search requirement should exempt those who would be exempted from WIN registration, such as parents with young children.

Item 4: Require states to round benefits to the lower whole dollar.

We support the use of standard rules of rounding to the nearest $1 increment consistent with the rules used by the Internal Revenue Service.

Item 5: Prorate first month's benefits based on date of application.

We support this provision provided that it allows California to mantain its policy of establishing the first of the month following application as the beginning date of aid when authorizing action is taken in any month following the month of application. If this provision is meant to strictly define the beginning date of aid as the date of application, an increase in grant costs would occur in California. It is estimated that such a strict beginning date of aid would amount to a $7.4 million increase in state General Fund costs and a similar increase in federal financial participation from October 1, 1982 through the balance of our 1982-83 fiscal year alone. It should be stressed that we do not believe this to be the federal intent.

Item 6: Include income of all unrelated adults in assistance units.

We oppose this provision. This provision would require states to consider the income of persons who have no responsibility for support of persons in the assistance unit. This creates significant legal issues. Since these adults would not be AFDC recipients and would have no responsibilities for support, the states would be on questionable legal ground in requiring such individuals to report income information or in attempting to gain access to their employment, unemployment or tax files for verification purposes.

We recognize that there is a public concern over nonrecipients living off of AFDC grants. However, there are already provisions in place that prohibit persons outside of the assistance unit from sharing the AFDC grant. Therefore, this provision would not provide any new safeguards against the misuse of program funds.

Item 7: Reduce federal matching for AFDC payment errors.

California strongly opposes this provision for reducing and ultimately eliminating federal financial participation in payment errors. The Administration's proposal is unrealistic, establishes goals which are unattainable, relies on a QC system which is inappropriate for this purpose, is not conducive to the type of cooperation necessary to actually reduce error rates, and fails to recognize joint state and federal responsibility for these programs. Error reduction is possible; however, it is impossible to achieve a zero standard.

The Administration's proposal fails to recognize the joint federal and state responsibility for these programs. It represents not so much a genuine effort at error reduction, as a cost shift to states. At a time when states are aleady plagued by cuts in other federal programs, and when even greater program instability can be anticipated, any reduction in the maximum allowable error rate is not only untimely but places an unreasonable financial burden upon already overextended state budgets. As these are joint federal and state programs, it is the responsibility of both the Administration and the states to continue to work cooperatively and constructively, not as adversaries, to help control and lower errors.

Item 8: Combined welfare administrative funds.

California strongly opposes the consolidated and reduced welfare administration grant. This grant would reduce federal funding for the AFDC, Food Stamp and Medicaid programs at the same time that other program requirements are being increased and significant program costs are proposed to be transferred to the states. As such, it represents a cost shift to the states and not a cost savings. It does not take into account inflation, increasing unemployment rates and other factors that impact administrative costs. Current state participation in the administrative costs of all three programs is adequate incentive to containing these costs. In addition, this single grant would involve multiple state and multiple federal agencies which would present additional administrative complexities. Funding at enhanced levels must be continued for ADP development activities if program improvement and integrity are to be realized.

The combined effect of all of the other provisions (the consolidated and reduced grant, error rate liabilities, state assumption of food stamp work registration and job search costs, etc.) would substantially increase state and local government costs in California for the Food Stamp and AFDC programs for FFY 1983. Similar, if not worse, situations would be produced in other states. With the current financial shortfalls states are facing nationwide, it is naive and irresponsible to attempt to shift additional costs to the states. Decreased funding in and of itself does not bring about the program improvements necessary to reduce expenditures. Indeed, increased administrative funding will be necessary to improve the programs to save benefit dollars and to implement federally required changes.

Item 9: Include all minor children in assistance unit when computing benefits, except SSI-disabled children.

We support the provision to include all related minor children in the AFDC assistance unit. However, we oppose any restriction on the assistance unit composition that would eliminate unemployed stepparents, whose income and resources should still be considered available to the assistance unit.

Item 10: Prorate shelter and utilities for AFDC families in large households.

We oppose this provision. It is inconsistent with the flat grant concept and the principle of money management. Currently, California utilizes flat AFDC grants rather than making adjustments for a variety of items, such as shelter and utilities. The use of flat grants was established in 1972. Flat grants are easier to administer, and reduce the potential for eligibility worker errors. Prorating shelter and utility needs as suggested in this proposal would pose significant administrative problems. It would require additional verification procedures on recipient-reported information and would greatly increase the potential for errors. Such proration would also conflict with the principle of allowing recipients to manage their own money by permitting economizing on certain living expenses.

Item 11: End employable parent's benefits when youngest child reaches age 16.

We oppose this provision unless there is a guarantee that the affected persons would be able to find jobs. As the provision is written, it could actually have the result of forcing the same number of people to subsist on a substantially reduced grant. In California, this provision could also result in the transfer of a signficant population to county General Assistance caseloads or require state General Fund assumption of these reductions at a cost equal to any anticipated state savings realized. In addition, this provision does not address the definition of "employable."

Further, this provision as currently written does not allow for special conditions that would preclude outside employment, such as the need to care for a disabled person. With the threat of reduced or discontinued assistance, some teenagers may be forced to leave high school in order to help support the family.

Item 12: Miscellaneous child support enforcement collections.

We support the provisions of child-support allotments from Armed Forces personnel, reimbursement of state agency, child support in Foster Care cases, and increased use of locator services. We oppose the provision for review of state programs and modification of penalty because it lacks a clear definition of "effective program" and does not specify monetary penalties.

Item 13: Reduce federal funds for child support enforcement.

We support this provision to reduce the ten percent collection fee created for non-AFDC families by the Omnibus Budget Reconciliation Act of 1981 with a six percent fee. This provision is an improvement on current federal law.

We oppose passage of the restructuring proposal. We recognize the need at the federal level to operate a cost effective program. We believe that the present funding scheme will prove to be cost effective within another two years. Failing this, funding adjustments could be undertaken to achieve the minor balancing required to put the federal level on a cost-beneficial basis along with states and localities. A total program restructuring is not necessary and contains an unreasonalbe level of risk.

The restructuring proposal presents a significant public policy shift in the Child Support Program away from services to children and recoupment of AFDC on behalf of children, to recovery of administrative costs. This shift is expressed through the proposal's almost total focus on cost effectiveness. This focus would put financial pressure on all states to operate at the lowest possible cost resulting in the atrophy of the IV-D Program. Those functions which are most costly to administer and which do not produce an immediate and direct dollar return to the states would be deemphasized or eliminated. These functions would probably include efforts made on behalf of nonwelfare children, enforcement on behalf of children living in other states, and the establishment of paternity for children born out-of-wedlock since these functions are in the short run less cost effective than directed enforcement on existing orders.

Item 15: Prorate first month's benefit based on date of application.

We support this provision. This change would make the beginning date of aid in SSI/SSP consistent with that in the Aid to Families with Dependent Children and the Food Stamp Programs which already require proration of the first month's benefit.

Item 16: Round SSI payment standard and benefit amount to next lower dollar.

We support the use of standard rules of rounding, as used by the Internal Revenue Service, as they would apply to SSI payment standards and to the benefit levels of recipients with nonexcludable income.

Item 17: Ensure that definition of permanent disability is based on preponderance of medical factors.

We oppose this provision. Due to the ambiguous language of this provision, it is not possible to determine the extent to which vocational factors would be deemphasized in the disability determination process and the fiscal/caseload impact that such a change would produce. However, most of the people denied aid without consideration of vocational factor will become independent on county General Relief and the state funded Medically Indigent Program. The net effect of this proposal will be to shift federal and state costs to local governments.

Item 18: Cross program recovery of SSI overpayments - Title XVI overpayments from Title II benefits.

Our position on this provision is neutral.

Item 19: Coordinate COLA's with SSI.

We support this provision. This provision restores the coordination of SSI and OASDI cost-of-living increases by treating increases in OASDI prospectively. Although this eliminates most of the costs associated with retrospective monthly accounting, new entitlement to all non-SSI federal benefits and COLA's to federal Veterans Administration, Railroad Retirement, and Black Lung Programs would still be treated retrospectively. California would prefer that all income from non-SSI federal sources be treated prospectively.

Again, we appreciate the opportunity to provide our comments on these important changes. If you have any questions regarding these comments, please contact us.

Sincerely,

Marion J. Woods

MARION J. WOODS
Director